

American Embassy,

No. 142 Jidda, February 11, 1954.

The Embassy of the United States of America presents its compliments to the Royal Ministry for Foreign Affairs of the Kingdom of Saudi Arabia and has the honor to invite the attention of the Royal Ministry to the question of the retention in customs in Jidda of certain official and personal shipments to the United States of America Operations Mission to Saudi Arabia. The official items contained in these shipments are necessary for the execution of technical assistance projects currently under way in Saudi Arabia and are to be utilized exclusively for these projects. The personal imports are for the exclusive use of personnel of the United States of America Operations Mission to Saudi Arabia.

In this connection, the Embassy has been informed by the Department of State that all official and personal imports of United States of America Operations Missions located in Egypt, Iraq, Lebanon and Jordan are immune by agreement from customs duty and enter those countries without inspection.

The Embassy has also been informed by the Department of State that it is not the practice of the United States Government to inspect the personal belongings and imports of non-diplomatic personnel attached to the Saudi Arabian Embassy in Washington or to the Saudi Arabian Consulate in New York.

The Royal Ministry for Foreign Affairs,

Kingdom of Saudi Arabia,

J i d d a.

Consequently, the Embassy ventures to hope that the Royal Ministry will arrange for the issuance of instructions to the appropriate officials of the Ministry of Finance and the Customs Department for the re-institution of the procedures previously followed by the Ministry, whereby official and personal shipments for the United States of America Operations Mission to Saudi Arabia were cleared without inspection.

Since an appreciable amount of supplies and equipment is at present retained in customs, it would be appreciated if earliest convenient attention could be given by the Royal Ministry to this request.

The Embassy avails itself of this opportunity to renew to the Royal Ministry the assurances of its highest consideration.

File 1

FOREIGN OPERATIONS ADMINISTRATION
Jidda, Saudi Arabia

September 27, 1953

OFFICIAL - INFORMAL
UNCLASSIFIED

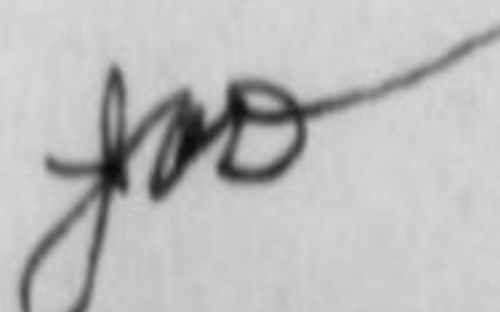
Dear Paul:

Enclosed are five copies of the tariff and commodity index.
This has been published officially in Arabic by the Government.

Very truly yours,

John A. Dunaway
Acting U. S. Director of
Technical Cooperation in
Saudi Arabia

Mr. Paul F. Taggart,
Chief, Iraq-Jordan-Saudi Arabia Branch, NEADS,
Foreign Operations Administration,
Washington 25, D. C.


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American Embassy
Jidda, Saudi Arabia

OFFICIAL - INFORMAL
UNCLASSIFIED

September 22, 1953

Dear Paul:

While I have only a few days more of responsibility for Jidda/TCA affairs, it may be helpful to have my views on the subject matter of your letter of August 12.

The problem of the failure of technicians to return for a second tour of duty has not really arisen in Jidda. So far those who have left the service have either done so for cause, medical reasons or on the completion of assignment.

The only case of a technician "looking at the grass on the other side of the fence" is that of Mr. Kennedy. As a result of his two brief assignments in Iraq, he has asked for a transfer. I view this with mixed feelings but I am of the opinion it would be to the best interest of TCA as a whole for the transfer to be approved. I believe that the tariff revision in Iraq is a work which Mr. Kennedy is well fitted for and which he can do with a greater degree of success than can be expected in trying to implement the recommendations resulting from a study made by someone else, as he would be doing if he returned to Jidda. To implement the recommendations for reform of customs administration is inherently difficult and should be attempted only by someone with years of actual experience in customs administration, which Mr. Kennedy has not had. For one thing the men he has to deal with in Saudi Customs know that Mr. Kennedy was inexperienced in customs work on arrival in Saudi Arabia and, regardless of how much he has learned since, they are inclined not to give much weight to his advice on customs affairs.

I had this situation in mind when I agreed to Mr. Kennedy's assignment in Iraq. He did a fine job there by all accounts and I think in deference to his own career, as well as to the best interests of TCA as a whole, he should be transferred, if he really wants to go.

Sincerely yours,

cc: CD, TCA/Jordan
CD, TCA/Iraq

John A. Dunaway
Acting U. S. Director of
Technical Cooperation in
Saudi Arabia

Mr. Paul F. Taggart,
Chief, Iraq-Jordan-Saudi Arabia Branch, NEADS,
Foreign Operations Administration,
Washington 25, D.C.

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FOREIGN OPERATIONS ADMINISTRATION

Jidda, Saudi Arabia

September 19, 1953

MEMORANDUM

TO: Mr. John A. Dunaway, Acting U. S. Director
for Technical Cooperation in Saudi Arabia

FROM: Robert B. Kennedy
Customs & Tariff Adviser

SUBJECT: Documents

In reply to your memorandum of September 16th, I wish to advise that all of my files with respect to my work have been deposited in the central file room in a single location. I trust that they will be of benefit to you or any other person who undertakes the task of advising the Saudi Government on tariff or customs matters.

Some of the more important matters under current activity are:

1. Valuation Problems. Agreement has been reached with the top Customs officials as to certain basic principles to be followed in solving their valuation problems. These principles should be embodied in Customs Regulations and presented to the Minister of Finance. ✓

2. Responsibility for Loss or Damage to Merchandise. Discussions with Shaikh Abdul Aziz clearly indicated his dissatisfaction with the present practice of placing responsibility for loss or damage for merchandise in Customs custody on shipping agents. It is felt, however, discussions with the Minister will be necessary to bring about any positive action on the part of the Saudis in this direction. ✓

3. Bill of Entry. I have been continually informed by the Customs officials that the Bill of Entry is in the process of printing in Mecca. It is my opinion that more immediate action could be obtained by taking this matter up with higher officials. ✓

4. Customs Regulations. It has been impossible to have final discussions with Shaikh Abdul Aziz on the question of withholding the issuance of the Customs Regulations proposed by the top Customs officials. This has been due mainly to his lack of availability and my lack of time. However, early discussions indicated he favored a ✓

more detailed study on Customs Regulations, as well as instituting customs improvements by regulation by installments. Above all things, we should not at this time give in to pressures to permit the issuance and publication of the regulations drafted by the Customs officials. My monthly operations reports specified the reasons for this opinion.

Agreement was reached with the top Customs officials on a solution to the various difficulties encountered by the Customs Administration. In general, the following principles were agreed to:

Under the Bill of the Tariff Commission of 1932 placed on the importer the burden of establishing the value paid or agreed to be paid. To carry out this burden by presenting to Customs officials certified to before a customs official of first class or of a friendly power, or before a writing public or other official empowered to administer oaths. The importer was required to furnish evidence as to how he carried his burden of proving value, such as communications with the supplier, published price lists, records of bank transactions, etc.

Although the importer has the burden of proving value paid, it is not mandatory but merely permissive that he supply an invoice. If the importer does not supply any evidence of value, or if that supplied does not establish value to the satisfaction of the Customs officials, it is necessary for him to declare the nearest ascertainable equivalent of the price paid or agreed to be paid.

Where the importer declares a value on his imports which is appraised at a value 15% to 25% higher (exact amount not agreed to), the declaration will be considered false unless proven otherwise to the satisfaction of the Customs officials.

Penalties can be imposed at any "reasonable time" after submission of the Bill of Entry upon discovery of forged declaration.

Appeals from appraisement findings would be to the Port Director, the District Customs Director, and finally the Director General of Customs. In practice, of course, appeals to the Minister of Finance will likely continue for a long time to come.

on each separate case to be done by
merchandise, freight according to weight
or quantity, insurance according to
value.

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FOREIGN OPERATIONS ADMINISTRATION
Jidda, Saudi Arabia

September 19, 1953

VALUATION OF MERCHANDISE

After detailed discussions with the top Customs officials, the following Agreement was reached with the top Customs officials on a solution to the valuation difficulties encountered by the Customs Administration. In general, the following principles were agreed to:

Section 214 of the Tariff Ordinance of 1372 places on the importer the burden of establishing the "price paid or agreed to be paid." He may carry this burden by presenting an original invoice certified to before a consular official of Saudi Arabia or of a friendly power, or before a notary public or other official empowered to administer oaths. The importer may present such other evidence as he has to carry his burden of proving value, such as communications with the supplier, published price lists, records of bank transactions, etc.

Although the importer has the burden of proving price paid, it is not mandatory but merely permissive that he supply an invoice. If the importer does not supply any evidence of value, or if that supplied does not establish value to the satisfaction of the Customs officials, it is necessary for them to determine the nearest ascertainable equivalent of the price paid or agreed to be paid.

Where the importer declares a value on his imports which is appraised at a value 15% to 25% higher (exact amount not agreed to), the declaration will be considered false unless proven otherwise to the satisfaction of the Customs officials.

Penalties can be imposed at any "reasonable time" after submission of the Bill of Entry upon discovery of forged declaration.

Appeals from appraisement findings would be to the Port Director, the District Customs Director, and finally the Director General of Customs. In practice, of course, appeals to the Minister of Finance will likely continue for a long time to come.

Price in Foreign Currency (Apportionment of freight and insurance on each separate item to be done by merchant; freight according to weight or capacity, insurance according to value)

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FOREIGN OPERATIONS ADMINISTRATION
Jidda, Saudi Arabia

September 19, 1953

The Manifest Section receives the Bill of Entry, the invoice and other documentary evidence of value. The manifest clerk inserts the number of the Bill of Entry, the date on which it was submitted, and the customs post CUSTOMS PROCEDURES USING BILL OF ENTRY with the manifest and if the two conform, he signs in the appropriate place.

After detailed discussions with the top Customs officials, the following procedure (using the new Bill of Entry, an English and Arabic copy of which are attached) was agreed to.

The importer will present an original and four carbons of the new Bill of Entry to the Manifest Section, with the following details completed:

- Means of Transport (Examples: SS Steel Executive, Airliban, Mohammed Trucking Company, or the name of a cameleer)
- Date of Arrival
- Nationality
- Port of Export
- Name of the Owner of Goods

- Name and Number of Clearer
- Number and Date of Bill of Lading
- Number and Date of Sitmy
- Parcels, Number and Kind

Marks and Numbers

The importer takes the Bill of Entry and other documents to the Director Description of Goods (Description to correspond as close as possible with descriptions used in Tariff Ordinance of 1372)

Quantity, Unit, Net, Gross

Price in Foreign Currency (Apportionment of freight and insurance on each separate item to be done by merchant; freight according to weight or capacity, insurance according to value)

Declaration of Importer (To be signed).

The Manifest Section receives the Bill of Entry, the sitmy, and the invoice and other documentary evidence of value. The manifest clerk inserts the number of the Bill of Entry, the date on which it was submitted, and the customs post. He then compares the Bill of Entry with the manifest and if the two conform, he signs in the appropriate place.

The importer takes the Bill of Entry and all documents to the Warehouse Section, which determines the availability of the merchandise and its condition and makes the appropriate notations on the Bill of Entry, including the date of completing discharge by the means of transport. The chief warehouse clerk signs in the appropriate place. The importer takes the Bill of Entry and other documents to the Estimation Section, the chief of which designates number of cases to be examined and other instructions to the visitor and assigns a visitor to inspect the merchandise. The importer takes the Bill of Entry and other documents to the visitor to inspect the merchandise to see that quantity and description are proper. The visitor makes out a separate list of the contents on a separate form, showing quantity and type of goods. The weigher will weigh merchandise subject to specific duties by weight and advise the visitor so that the visitor can include in the form the gross and net weight. The weigher will be responsible for weight and the visitor for all other information. Both visitor and weigher sign the Bill of Entry and the special visitor's form, even though information is different.

The importer takes the Bill of Entry and other documents to the Estimation Section, which determines the value, the tariff item number, and the tariff rate of duty for each separate item in the Bill of Entry. The duty is totaled and additional charges inserted, and the grand total calculated in the Estimation Section. The assessor, checker, and chief of the Estimation Section sign in the appropriate places. A Customs Release is prepared in the Estimation Section and signed by the person who prepares it. The number and date of the Customs Release is inserted in the appropriate place.

The importer takes the Bill of Entry and other documents to the Director of the Port, who signs the Bill of Entry in the appropriate place if he is satisfied with the entries made. He also signs the Customs Release. The importer takes the Bill of Entry and other documents to the cashier, who writes in words the amount of Saudi qirsh received; the number and value in Saudi qirsh of each coin received; the number of the cash book entry; the date of receipt of the money; and signs the Bill of Entry. He also signs the Customs Release. The cashier gives the first copy of the Bill of Entry to the importer and distributes the remaining copies as follows:

The original to the Accounting Section after it has served its purpose with the cashier;

The second copy is retained by the cashier;

The third copy to the Manifest Section;

The fourth copy to the Verification and Statistics Section.

The importer takes his copy of the Bill of Entry, and the original and duplicate of the Customs Release, to the warehouse where his goods are delivered and the original of the Customs Release retained by the warehousekeeper. The copy of the Customs Release is presented to the gateman at the time the goods pass through the gate.

Complications arising during the course of this procedure are taken care of before the next step is undertaken.

The importer should obtain a receipt from the Port Authority showing port dues have been paid. This is presented to the warehousekeeper at the time the importer calls for his goods.



UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION
American Embassy
Jidda, Saudi Arabia

*File
Public
Admin.
Customs*

MEMORANDUM

August 15, 1953

TO: Mr. John A. Dunaway, Acting U. S. Director of
Technical Cooperation in Saudi Arabia

FROM: Robert B. Kennedy *RBK*
Customs and Tariff Advisor

SUBJECT: Transmittal of Summary Statements on Customs Matters

Attached hereto is a summary statement on the question of responsibility for loss or damage of goods in customs custody at the Port of Jidda, and my summary statement on the Customs Ordinance proposed by the Customs Committee. Would you kindly transmit these to the Saudi Government Liaison Office for translation and transmittal.

Encls - as stated

File
Public
Administrative
Customs

American Embassy
Jidda, Saudi Arabia

SUMMARY STATEMENT ON

RESPONSIBILITY FOR MERCHANDISE IN CUSTOMS CUSTODY AT
PORT OF JIDDA

August 15, 1953

Your Excellency:

Pursuant to our recent conference, I have the honor to transmit to Your Excellency my summary statement on the question of responsibility for loss or damage of goods in customs custody at the Jidda Port, and my summary statement on the Customs Ordinance proposed by the Customs Committee. I hope these summaries will be of assistance in our future discussions on these matters.

The summary statement on the proposed Customs Regulations will be ready for transmittal to Your Excellency within the next few days.

Please accept my respects.

Sincerely yours,

Robert B. Kennedy

Customs and Tariff Advisor

2 Encls

Summary Statement on responsibility
for loss or damage of goods in
Customs custody at the Jidda Port.
Summary Statement on the Customs
Ordinance proposed by the Customs
Committee.

Robert B. Kennedy

Customs and Tariff Advisor

His Excellency,

Shaikh Abdul Aziz al Abdullah al Sulaiman,
Assistant Deputy Minister of Finance,
J I D D A.

American Embassy
Jidda, Saudi Arabia
SUMMARY STATEMENT ON

RESPONSIBILITY FOR MERCHANDISE IN CUSTOMS CUSTODY AT
PORT OF JIDDA

ON
PROPOSED CUSTOMS ORDINANCE

Port Authority required to handle goods from ships side to time of delivery to consignee. (See Articles 3, 18, and 30 of Government's agreement with Port Authority.)

Custody is therefore assumed by Port Authority at time goods leave ship.

Custody and responsibility are inseparable.

Port Authority should be responsible for loss or damage from ships side to time of delivery to consignee. (See Articles 9 and 36 of Government's agreement with Port Authority.)

Agreement between Government Railroad and Customs for operation of Dammam Port follows above principles. (See paragraphs 11 and 12 of agreement.)

Proposed Customs Ordinance does not comply with above principles. (See Articles 15, 19, and 20.)

Proposed Customs Regulations do not comply with above principles. (See Article 122 of regulations.)

Attached is copy of letter by Mr. J. A. Dunaway on this subject.

Robert B. Kennedy
Customs and Tariff Advisor

American Embassy
Jidda, Saudi Arabia

Provision No. of Proposed Ordinance

Tariff Ordinance
of 1372

SUMMARY STATEMENT

ON

PROPOSED CUSTOMS ORDINANCE

This is a summary statement of my comments on the Customs Ordinance proposed by the Customs Committee. Detailed explanation of the comments will be presented orally or by further written report, as desired.

Many of the provisions are already taken care of in the Tariff Ordinance of 1372. The following table shows the provision number of the proposed Customs Ordinance and the provision of the Tariff Ordinance of 1372 which covers the substance of the proposed provisions:

Provision No. of proposed Ordinance	Tariff Ordinance of 1372
4	Section 209
6	Section 219
8	Section 213
13	Section 211
14	Section 215
16	Section 213
17	Section 215
18	Section 215
21	Section 214
22	Chapter 10
23	Chapter 10; Section 101; and Items 04.01, 02.03, 06.01, and 06.02 of Section 101
26, First	Item 10.02 (A) of Section 101 and Section 221
26, Third B	
27, Fourth	Section 206

The proposed Ordinance additionally uses the phrase "to customs regulations to be issued later by the Minister of Finance". Such a phrase is not only unnecessary but dangerous as it would limit the matters on which Ministerial regulations could be issued to those which are contained in a provision using this phrase. Pursuant to Section 210 of the Tariff Ordinance, the Minister of Finance is to issue any and all regulations necessary to carry out the law. This is the proper method of delegating Ministerial authority to issue regulations.

Provision No. of
proposed Ordinance

Tariff Ordinance
of 1372

35

Section 209

36

Section 222

37

Chapter 10

38 through 62

Sections 219, 220

63

Section 205

64

Section 210

Articles 15, 19, and 20 of the proposed Ordinance are contrary to the agreement with the Port Authority in Jidda; to the practice at the Dammam Port; and to the practice at the Bahran Port.

The substance of most of the remaining provisions, as well as the substance of some of the above provisions, should be included in Customs Regulations issued by the Minister of Finance pursuant to Section 210 of the Tariff Ordinance of 1372 but should not be included in a Royal Decree. Royal Decrees should be reserved for establishing basic tariff and Customs policy which is carried out through more specific Ministerial regulations.

Some provisions of the proposed Customs Ordinance are contrary to the Tariff Ordinance of 1372. The following table sets forth these provisions:

Provision of
proposed Ordinance

Tariff Ordinance
of 1372

21

Section 214

22

Section 221

23.B

Item 10.02 (B)

23.D

Section 101

23.G

Item 10.02 (A)

23.H

Item 10.02 (D)

23.M

Title I

23.O

Chapter 6

26, First

Section 221

26, Third B

Item 10.02 (A)

26, Fourth

Item 10.02 (A)

30

Title I

American Embassy
Jidda, Saudi Arabia

The proposed ordinance repetitiously uses the phrase "according to customs regulations to be issued later by the Minister of Finance". Such a phrase is not only unnecessary but dangerous as it would limit the matters on which Ministerial regulations could be issued to those which are contained in a provision using this phrase. Pursuant to Section 210 of the Tariff Ordinance, the Minister of Finance is to issue any and all regulations necessary to carry out the law. This is the proper method of delegating Ministerial authority to issue regulations.

I am informed that the word selection and sentence structure are not representative of a Royal Decree. Also, the arrangement of the different provisions is not the best.

Articles 15, 19, and 20 of the proposed Ordinance are contrary to the agreement with the Port Authority in Jidda; to the practice at the Damman Pier; and to universally accepted practice.

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Robert B. Kennedy
Customs and Tariff Advisor

Encs - as stated

American Embassy
Jidda, Saudi Arabia

MEMORANDUM

August 15, 1953

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Technical Cooperation in Saudi Arabia

FROM: Robert B. Kennedy
Customs and Tariff Advisor

SUBJECT: Transmittal of Summary Statements on Customs Matters

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Encls - as stated

RBKennedy/djh

File 2

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American Embassy
Jidda, Saudi Arabia

SUMMARY STATEMENT ON

RESPONSIBILITY FOR MERCHANDISE IN CUSTOMS CUSTODY AT
PORT OF JIDDA

August 15, 1953

Your Excellency:

Pursuant to our recent conference, I have the honor to transmit to Your Excellency my summary statement on the question of responsibility for loss or damage of goods in customs custody at the Jidda Port, and my summary statement on the Customs Ordinance proposed by the Customs Committee. I hope these summaries will be of assistance in our future discussions on these matters.

The summary statement on the proposed Customs Regulations will be ready for transmittal to Your Excellency within the next few days.

Please accept my respects.

Sincerely yours,

Robert B. Kennedy

Customs and Tariff Advisor

2 Encls

Summary Statement on responsibility
for loss or damage of goods in
Customs custody at the Jidda Port.
Summary Statement on the Customs
Ordinance proposed by the Customs
Committee.

His Excellency,
Shaikh Abdul Aziz al Abdullah al Sulaiman,
Assistant Deputy Minister of Finance,
J I D D A.

American Embassy
Jidda, Saudi Arabia
SUMMARY STATEMENT ON

RESPONSIBILITY FOR MERCHANDISE IN CUSTOMS CUSTODY AT
PORT OF JIDDA

PROPOSED CUSTOMS ORDINANCE

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Attached is copy of letter by Mr. J. A. Dunaway on this subject.

Robert B. Kennedy
Customs and Tariff Advisor

American Embassy

Provision No., Jidda, Saudi Arabia

Tariff Ordinance

of 1372

Section 219

Section 221

Chapter 10

Sections 219, 220

SUMMARY STATEMENT
ON
PROPOSED CUSTOMS ORDINANCE

This is a summary statement of my comments on the Customs Ordinance proposed by the Customs Committee. Detailed explanation of the comments will be presented orally or by further written report, as desired.

Many of the provisions are already taken care of in the Tariff Ordinance of 1372. The following table shows the provision number of the proposed Customs Ordinance and the provision of the Tariff Ordinance of 1372 which covers the substance of the proposed provisions:

Provision No. of proposed Ordinance	Tariff Ordinance of 1372
4	Section 209
6	Section 219
8	Section 213
13	Section 211
14	Section 215
16	Section 213
17	Section 215
18	Section 215
21	Section 214
22	Chapter 10
23	Chapter 10; Section 101; and Items 04.01, 02.03, 06.01, and 06.02 of Section 101
26, First	Item 10.02 (A) of Section 101 and Section 221 (A)
26, Third B	
27, Fourth	Section 206 (A)

The proposed Customs Ordinance uses the phrase "to customs regulations to be issued later by the Minister". Such a phrase is not only unnecessary but dangerous as it would limit the matters on which Ministerial regulations could be issued to those which are contained in a provision using this phrase. Pursuant to Section 210 of the Tariff Ordinance, the Minister of Finance may issue any and all regulations necessary to carry out the law. This is the proper method of delegating Ministerial authority to issue regulations.

Provision No. of <u>proposed Ordinance</u>	Tariff Ordinance <u>of 1372</u>
35	Section 209
36	Section 222
37	Chapter 10

38 through 62	Sections 219, 220
63	Section 205
64	Section 210

Articles 15, 19, and 20 of the proposed Ordinance are contrary to the agreement with the Port Authority in Jidda; to the practice at the Damam Port; and to the practice at the Bahari Port.

The substance of most of the remaining provisions, as well as the substance of some of the above provisions, should be included in Customs Regulations issued by the Minister of Finance pursuant to Section 210 of the Tariff Ordinance of 1372 but should not be included in a Royal Decree. Royal Decrees should be reserved for establishing basic tariff and Customs policy which is carried out through more specific Ministerial regulations.

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22	Section 221
23.B	Item 10.02 (B)
23.D	Section 101
23.G	Item 10.02 (A)
23.H	Item 10.02 (D)
23.M	Title I
23.O	Chapter 6
26, First	Section 221
26, Third B	Item 10.02 (A)
26, Fourth	Item 10.02 (A)
30	Title I

American Embassy
Jidda, Saudi Arabia

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Transmittal of Summary Statements on Customs Matters

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responsibility for loss or damage of goods in customs custody at the Port of Jidda, and my summary statement on the Customs Ordinance proposed by the Customs Committee. Would you kindly transmit these to the Saudi Government Liaison Office for translation and transmittal.

Robert B. Kennedy
Customs and Tariff Advisor

Encs - as stated

American Embassy
Jidda, Saudi Arabia

MEMORANDUM

August 15, 1953

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FROM: Robert B. Kennedy
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SUBJECT: Transmittal of Summary Statements on Customs Matters

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Encls - as stated

Kennedy

American Embassy
Jeddah, Saudi Arabia
SUMMARY STATEMENT ON
RESPONSIBILITY FOR MERCHANDISE IN CUSTOMS CUSTODY AT
PORT OF JIDDA

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Robert B. Kennedy
Customs and Tariff Advisor

Kennedy

American Embassy
Provision No. Jidda, Saudi Arabia

Tariff Ordinance
of 1372

SUMMARY STATEMENT
ON
PROPOSED CUSTOMS ORDINANCE

Section 209
Section 222
Chapter 10
Sections 219, 220

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Some provisions of the proposed Customs Ordinance are new to the Tariff Ordinance of 1372. The following table sets forth these provisions:

Provision of proposed Ordinance	Section of Tariff Ordinance of 1372
14	Section 211
21	Section 215
16	Section 214
22	Section 213
17	Section 221
23.B	Section 215
18	Item 10.02 (B)
23.D	Section 215
21	Section 101
23.G	Section 214
22	Item 10.02 (A)
23.E	Chapter 10
23	Item 10.02 (B)
23.H	Chapter 10; Section 101; and Items 04.01, 02.03, 06.01, and 06.02 of Section 101
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26, First	Item 10.02 (A) of Section 101 and Section 221(A)
26, Third B	
27, Fourth	Section 206(A)

<u>Provision No. of proposed Ordinance</u>	<u>Tariff Ordinance of 1372</u>
35	Section 209
36	Section 222
37	Chapter 10
38 through 62	Sections 219, 220
63	Section 205
64	Section 210

The substance of most of the remaining provisions, as well as the substance of some of the above provisions, should be included in Customs Regulations issued by the Minister of Finance pursuant to Section 210 of the Tariff Ordinance of 1372 but should not be included in a Royal Decree. Royal Decrees should be reserved for establishing basic tariff and Customs policy which is carried out through more specific Ministerial regulations.

Some provisions of the proposed Customs Ordinance are contrary to the Tariff Ordinance of 1372. The following table sets forth these provisions:

<u>Provision of proposed Ordinance</u>	<u>Tariff Ordinance of 1372</u>
21	Section 214
22	Section 221
23.B	Item 10.02 (B)
23.D	Section 101
23.G	Item 10.02 (A)
23.H	Item 10.02 (D)
23.M	Title I
23.O	Chapter 6
26, First	Section 221
26, Third B	Item 10.02 (A)
26, Fourth	Item 10.02 (A)
30	Title I

-3- UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

The proposed ordinance repetitiously uses the phrase "according to customs regulations to be issued later by the Minister of Finance". Such a phrase is not only unnecessary but dangerous as it would limit the matters on which Ministerial regulations could be issued to those which are contained in a provision using this phrase. Pursuant to Section 210 of the Tariff Ordinance, the Minister of Finance is to issue any and all regulations necessary to carry out the law. This is the proper method of delegating Ministerial authority to issue regulations.

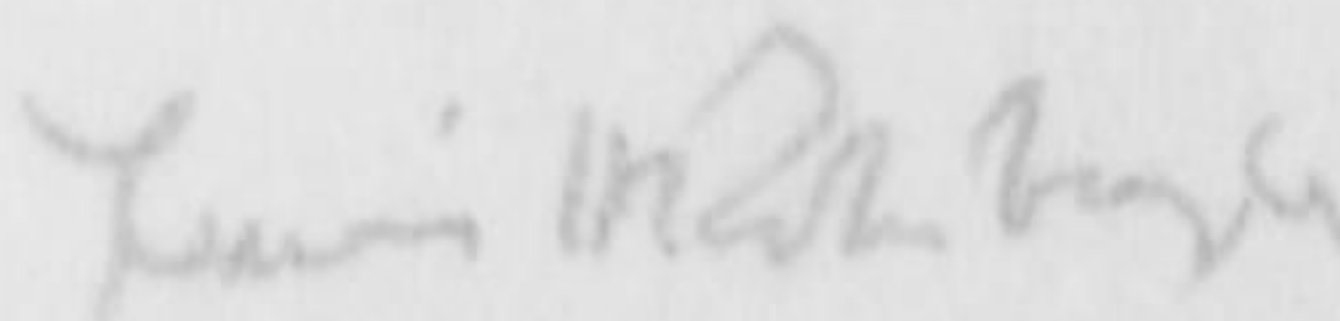
I am informed that the word selection and sentence structure are not representative of a Royal Decree. Also, the arrangement of the different provisions is not the best.

Articles 15, 19, and 20 of the proposed Ordinance are contrary to the agreement with the Port Authority in Jidda; to the practice at the Dammam Pier; and to universally accepted practice.

I believe that the report and recommendations which have been made to the Minister of Finance are good. Robert B. Kennedy, Customs and Tariff Advisor, and we appreciate with the assistance of Mr. Kennedy, as an individual, a considerable addition to our group here and we all enjoyed our experience with him.

With best wishes for the success of yourself and the Mission to Saudi Arabia, I am

Sincerely,



Lewis H. Roubenach
Director of Technical Cooperation

cc: R. B. Kennedy
TUA, MEADS

Mr. John A. Dunaway,
Acting Country Director,
Technical Cooperation Administration,
Jidda, Saudi Arabia.



UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

File
D *Customs*
American Embassy,
Baghdad, Iraq,
July 8, 1953.

Dear Mr. Dunaway:

I want to express my deep appreciation for your courtesy and cooperation in making available to us the services of Mr. Robert Kennedy. Mr. Kennedy was, as you know, originally with us for some weeks and then after his return to Jidda and his development of his findings and recommendations with respect to customs administration, and your own collaboration on these, it was possible for him to return and in person go over with our Minister of Finance the report which we presented to him.

I believe that the report and recommendations which have been made to the Minister of Finance are sound, constructive ones, and we appreciate much the assistance of the TCA Mission to Saudi Arabia in this connection. We found Mr. Kennedy also, as an individual, a considerable addition to our group here and we all enjoyed our experience with him.

With best wishes for the success of yourself and the Mission to Saudi Arabia, I am

Sincerely,

Lewis H. Rohrbaugh
Director of Technical Cooperation

cc: R. B. Kennedy
TCA, NEADS

Mr. John A. Dunaway,
Acting Country Director,
Technical Cooperation Administration,
Jidda, Saudi Arabia.

RESTRICTED
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File 2

Customs

(Memo to Mr. Dunaway, by Mr. Kennedy, dated June 3, 1953, re Program for Remaining Four Months)

TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

2. Customs Regulations

MEMORANDUM

June 3, 1953

TO: Mr. John A. Dunaway, Acting U. S. Director

FROM: Robert B. Kennedy, Customs and Tariff Advisor

SUBJECT: Program for Remaining Four Months

Much has been accomplished in the first twenty months of my tour in Saudi Arabia. A new tariff law has been written and enacted. A classification guide has been approved and printed. Also of major importance is the change in the thinking of the Saudi officials with whom I have worked--they are now inclined to attempt to apply the law rather than to decide a particular problem from what they imagine the law should be.

However, there are matters of major importance which should be taken care of before my home leave, which should begin about September 20.

1. Proposed Customs Regulations

The regulations proposed by the top customs officials have been translated up to the last one-fourth, and the first half has been typed. I have reviewed all that has been typed and have made a detailed study of a large portion of this first half. I find these regulations in such bad condition that a mere revision is out of the question. The Arabic style and usage has been reported to be completely unrepresentative of such a document. If the translation is accurate, I concur. The word usage, sentence structure, punctuation, and arrangement are completely unrepresentative of what such a document should be. Important matters, such as National Customs Administration, Bill of Entry, valuation procedures, are barely mentioned without any substantive assistance to the customs officials who must apply the regulations. Matters such as responsibility of shipping agents for loss or damage after discharge from ship, are improperly enforced. It would be a mistake for us to have any part in such regulations. And a revision of them would be more difficult and time consuming than starting fresh. However, we are going to fail to secure the agreement of the top customs officials to put aside their work and start with a clean page. They will take it as a personal insult and their reaction will be to not further delay the issuance of their proposed regulations without our comment, which would result in chaos in administration.

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(Memo to Mr. Dunaway, fr Mr. Kennedy, dtd Jun 3, 1953, re Program for Remaining Four Months)

2. Customs Ordinance

The Customs Ordinance which the Director General advises was approved last December, is a revision of the ordinance originally drafted four years ago by the Egyptian customs expert and the top Saudi customs officials. The revision was done by the Director General last November before our conferences on the Tariff Ordinance of 1372. The Customs Ordinance, though reportedly approved, provides that it shall not be effective until published in the Official Gazette. I am advised that it has not as yet been so published. This Ordinance is just as bad in substance and draftsmanship as the proposed regulations. It would be a mistake to not attempt to secure its abandonment.

3. Bill of Entry

All the major changes in customs administration of immediate importance are centered on the institution of a bill of entry. Proper installation of this document is of vital importance to the success of many other improvements. Attempts have been made by the top customs officials to sabotage its intended usefulness and effectiveness in bringing about improvements, through the proposed customs regulations and through distorting the procedure you apparently agreed to at the time of discussions on the bill of entry.

4. Valuation Procedures

Before I decided on the use of an ad valorem tariff schedule, you advised me that difficulties in the proper customs valuation of imports could be successfully dealt with. However, continued difficulties are encountered and will continue to be encountered until some sound answers can be presented for their problems. If such answers are not forthcoming in the imminent future, the work already accomplished in the new tariff law and classification guide will be thrown out for a specific duty schedule.

5. Issuance of Tariff Ordinance and Index

The final Tariff Ordinance of 1372 has been in printed form for at least four months and the final proofs for the classification guide were sent to the printer over two months ago. However, one excuse after another has been presented for the failure to release this publication. I am still of the opinion that some ulterior motive is behind these delays. They either have a desire to issue the Customs Regulations and Customs Ordinance with this publication, or they have in mind a complete change in the Tariff Ordinance.

To cope with these problems I propose the following:

(Memo to Mr. Dunaway, fr Mr. Kennedy, dtd Jun 3, 1953, re Program for Remaining Four Months)

A. In the absence of strong direct contact with the Minister of Finance, I should have a series of conferences with the Assistant Deputy Minister of Finance, proposing:

1. Issuance of published Tariff Ordinance of 1372 and index;
2. Abandonment of Customs Ordinance;
3. Disregarding proposed customs regulations and starting fresh on this task;
4. A general plan for the final arrangement and form (outline) of complete customs regulations;
5. That improvements be worked out by installments, taking first those matters most important to immediate improvement;
6. That Bill of Entry, valuation procedures, and National Customs Administration be first subjects.

B. The assistance of the Assistant Deputy Minister of Finance should be secured in getting Ministerial approval of any of these matters requiring such approval.

C. That contact with top customs officials be limited to matters decided upon after contact with the Assistant Deputy Minister of Finance or the Minister.

TECHNICAL COOPERATION ADMINISTRATION
American Embassy
Jidda

RESTRICTED

April 27, 1953.

MEMORANDUM TO: Mr. John A. Dunaway, Acting U. S. Director
of Technical Cooperation in Saudi Arabia

FROM: Robert B. Kennedy, Acting Customs and
Tariff Advisor

RE: Monthly Program Summary - April, 1953
Public Administration and Government Services Division

1. The issuance of the Classification Guide, an index fixing the classification of about 2,000 different products, and the Tariff Ordinance of 1372, has not as yet been accomplished. This index has been printed in Arabic and the last word is that they are merely awaiting the approval of the Minister of Finance as to the price of the publication so that the price may be printed on the cover. During the entire course of this period, the Saudis indicated that it would be issued within two or three days.

2. Several meetings were held in the early part of this period with the top customs officials to attempt to get them to withhold the issuance of customs regulations until such time as I had the opportunity to give my comments and recommendations with respect thereto. These meetings resulted in customs officials presenting the matter to the Minister of Finance for his decision. No word has been received as yet by us from the Minister of Finance. Also, this matter was presented to the Assistant Deputy Minister of Finance, who advised us that he would communicate with the Minister to secure withholding of their publication until our comments had been presented. It is still not certain what the outcome of these meetings will be. I was advised that direct approach to the Minister of Finance was inadvisable.

3. Relations with the top customs people this month have greatly improved. They have raised several different administrative questions for discussion and although these discussions have not as yet resulted in any action, they lay certain groundwork for future discussions of the customs regulations.

TCA/Saudi Arabia
JADunaway
RBKennedy:djh

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TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

February 17, 1953.

MEMORANDUM TO: Mr. J. A. Dunaway, Acting U. S. Director of
Technical Cooperation in Saudi Arabia

FROM: Mr. Robert B. Kennedy, Acting Customs and Tariff
Advisor

RE: Trip to El Hasa Area

On January 26 I accompanied Sheikh Mohammed Nuur Rahami, Director General of Saudi Arabian Customs, on a trip to the El Hasa area on the East coast of Saudi Arabia. Hilmi Bey Jinana, Egyptian Customs Advisor, and Fuad Najjar, my interpreter-translator, were also in the party. The principle purpose of this trip was to set up regulations governing the relationship between the Saudi Government Railroad and the Customs in their various functions in handling imports through the Dammam Port. Detailed discussions were had on this problem, and the attached principles were approved.

The basic changes in the old set up were as follows:

- (1) The railroad is to have continuous custody and responsibility for merchandise from the time of receipt from the ship until delivered to the consignee at the customs area or until the time of removal from the customs area by the railroad.
- (2) The railroad will have responsibility for enforcing anti-smuggling measures at the pier and surrounding area.
- (3) The railroad has assumed the responsibility of maintaining an accurate current record of all merchandise in its possession.
- (4) The railroad will be responsible for maintaining the warehouses and other facilities in the customs area.
- (5) The railroad will be responsible for all handling and portage and for supplying and maintaining the equipment necessary for this work.

During

RESTRICTED

February 17, 1953.

During the four weeks prior to going to Dhahran, I had continuous contact with the Director General in working out the Classification Guide for the new tariff schedule. As a result of differences in opinion in classification matters, I had the feeling that the Director General lacked appreciation for my position with reference to many minute differences. During my two weeks in El Hasa, the four of us occupied the same house. Many hours of the time were spent in informal discussions as to customs and tariff matters. The result of these discussions has been a closer understanding on the part of the Director General as to my work and ability, and the purposes of my work. Near the end of the two-week period, the Director General expressed great appreciation for my work and for my insistence on various matters that had been previously discussed wherein we disagreed. In general, I think the trip has resulted in good understanding between the Director General and myself, which could not have been attained under any other circumstances.

The Egyptian Customs Advisor has been a big handicap to the introduction of sound tariff and customs reforms. From my contact with the Director General, the Minister of Finance, and other Saudi Arabs, I have the definite feelings that the Egyptian advisor has lost his effectiveness as an obstruction to tariff and customs reforms which we suggested. In meetings with the Minister of Finance, a very positive attitude was most apparent.

I had discussions with Aramco people with reference to their Customs problems and I encouraged Sheikh Mohammed Nuur to give Aramco the chance to present any of their difficulties. A meeting resulted and agreements were reached as to some of their difficulties.

I have reported separately on my experiences with Saudis in the fields of Agriculture, and Health and Sanitation.

Robert B. Kennedy
Acting Customs and Tariff Advisor

TRANSLATION

KINGDOM OF SAUDI ARABIA
Ministry of Finance

- - - -

Upon studying the decision made regarding the taking over of handling, offloading, storage and custody of cargo at the new Dammam Port by the Railroad, the Committee after reviewing the circumstances and inspecting the Pier, the Customs warehouses and Compounds recommends that the following be adopted:

1. The discharge of ships will be in accordance with the Port Regulation.
2. The Railroad will not allow offloading of any shipments coming by sea except after presentation of the original manifest of subject shipments with (4) copies of Arabic and foreign language version. The Railroad will check copies of manifest with the original copy. Receipt and delivery will be made in the presence of a representative of the Shipping Agency concerned. The Railroad will however allow ships which have local agencies to discharge their shipments before presenting the manifest. The Railroad will receive the shipment and the manifest will be submitted within a period not exceeding 36 hours.
3. The Railroad will send copies of the manifest to Dammam Port Customs. The number of copies will be agreed upon between the Railroad and Customs.
4. The Railroad will notify Customs of the ships arrival dates, and the date when ships, barges and dhows completed offloading, due to its importance in assessing demurrage due on goods, which starts when cargo is loaded onto Railroad cars.
5. According to this new procedure, the Railroad will be considered responsible for offloading of cargo and to issue the necessary receipts to Steamship Companies. The Railroad will also be responsible to have these cargoes under its custody and storage of same at the Customs until they are delivered to owners after completing Customs formalities.
6. When offloading is completed the Railroad should send a copy of the manifest to the Customs on which will be noted the result of receiving or will send a detailed statement showing the following:

- (1) Grand total of packages shown on the manifest.
- (2) Number of packages short.
- (3) Number of packages in excess.
- (4) Grand total of packages actually received.
- (5) Marks and numbers of packages short.
- (6) Marks and number of packages in excess.

Copy of manifest or above statement should be approved by the representative of the Steamship Company concerned and Railroad representative at the Port. As the information requested in items 5 & 6 of the above paragraph might take some time, the Railroad will have to send the information within a week on the most after the ship's departure.

7. The Railroad will observe homogeneous cargo such as cement, flour, lumber, pipes etc., and will load this cargo on separate cars as possible to facilitate its inspection, complete the Customs formalities and to release it promptly.
8. It will be advisable to load Aramco exempted cargo according to its relative marks on separate cars if possible, and not mix it with other cargo in order to promptly inspect and release it according to the practice followed.
9. The Railroad will be responsible to maintain up to date records of all packages delivered to her showing quantity, number and mark of incoming and outgoing cargo, in accordance with supporting documents.
10. The Railroad and its employees will be responsible for packages found to be short from the statement submitted by the Railroad to the Customs referred to in paragraph 6, in accordance with regulations and as will be found from the results of investigation.
11. The Railroad will be responsible for loss and damage to cargo caused by its employees and porters, their negligence or being directly responsible for that loss or damage according to the regulations followed. The Railroad will not be responsible for damage caused by power beyond its control such as fire.
12. The Railroad is responsible for packages delivered to her in good condition which later on are found short and in bad condition. However the Railroad will not be responsible for contents of these packages if their apparent condition is good.
13. Packages received broken or in bad condition will be placed in enclosed space inside the warehouse and marked with their actual weight in the presence of the Steamship Company representative, a Customs representative and Railroad representative. Condition of these packages will be shown on the waybill and will be moved in box cars if possible.
14. Storage of inflammable cargo and explosives shall be made in accordance with regulations presently in force.
15. Unmanifested cargo received will be stored separately for its inspection by the Customs, the Railroad and representative of steamship company agents in order to know its contents.
16. The Railroad will show numbers of the ship's voyages on each package when stored in the Customs Compound. Manifests are generally given serial numbers each of which represents the number of the voyage concerned.
17. The Railroad will assign separate space in warehouses and compounds for the shipment of each vessel separately if possible.
18. The Railroad will immediately notify the Customs of fragile packages or perishables liable to loss and damage if their owners do not immediately appear to collect them. If such packages are not promptly collected, the Railroad will not bear their responsibility and the Customs will have to assign an appraiser to

inspect the shipment and decide whether it should be sold immediately or postpone its sale. Accrued Railroad and Customs charges will be paid from proceeds of sale, while the balance will be kept as a deposit for consignee.

19. The Railroad will assign special places in the warehouses for Customs inspection and weighing of cargo. It would be preferable if such places are enclosed. The Railroad will provide all assistance to Customs employees in performing their duties within the warehouses.
20. Railroad employees should not open any package or case by themselves inside warehouses or Customs Compounds and such cases should not be opened except on inspection in the presence of Customs employees concerned, the Railroad representative and owner of the cargo or his agent.
21. Specimen of goods sent to Customs for evaluation will be shown in special records by the Railroad, and made sure that they are returned to their relative packages or cases.
22. No goods will be moved out of the Customs area before completing Customs formalities and issuance of Customs release. The Railroad will not allow movement of loaded cars beyond the Customs area and Classification Yard before completion of formalities, even though the contents of these cars are exempted from Customs duties.
23. Customs will have the right to make a partial inventory from time to time on cargo stored in warehouses or compounds, and will have the right to make a complete inventory at the end of every year.
24. Every package found in the inventory to be short or in excess of the Railroad and Customs record will be subject to necessary investigation by Customs and Railroad Management and persons responsible will be penalized according to regulations in this concern.
25. Cargo will be stored in warehouses and compounds for one complete year after which will be considered as unclaimed goods. The Customs will subject such goods to regulations covering unclaimed goods. After sale, Customs dues, Railroad charges and other expenses accrued will be collected from the sale price, the balance of sale will be deposited for the owner.
26. In case of emergency danger in the warehouses or other storage areas, the Railroad will take immediate measures to protect the stored goods without obtaining prior permission of the Customs, but will notify the Customs immediately.
27. Customs employees concerned will have the right to pass through warehouses and Customs compounds to inspect the work, attend inspection of cargo and complete the necessary Customs formalities to assure that Customs regulations are fully enforced.
28. Cases of smuggling and pilferage which occur on the platforms en route or in the Customs will be referred to the Customs together with the confiscated goods and persons arrested after investigation is made for necessary action in accordance with regulations.

29. On enforcing the withdrawal of Customs employees from both piers after liquidating their duties, the Coast Guards Department and the Railroad will be responsible for controlling the Port and prohibited cargoes discharged on piers and other dutiable commodities beside regular cargoes. The Railroad will dispatch to Customs all such commodities together with persons in whose possession such commodities were apprehended, along with an explanatory statement carried by a representative, explaining type, and quantities, to enable Customs take the necessary action. The Railroad shall not allow passengers or commodities in their possession to leave the piers beyond the Customs area outside official working hours.
30. In case of goods destined to Ras Tamura, Mishab, Khobar or other Ports, which are offloaded from vessels into barges or launches for transportation to those places, the Railroad will request steamship companies to make an extract of the manifest and will send a copy of this extract to the Customs with two copies to Customs branches which will receive these barges and launches so that one copy confirming receipt is returned. The barges or launches will not be allowed to leave before securing Damman Port Customs approval which will be granted upon receipt by Customs of extract of manifest, and the Railroad will check the packages prior to the departure of these barges.
31. No cargo will be exported from the piers before completion of Customs formalities and submission of a manifest approved by the Customs.
32. The Railroad and Customs will cooperate in applying instructions each in his department, for immediate release of shipments and to avoid delay.
33. In case of packages offloaded by mistake when Steamship Companies request their return to original destination, and when the Customs have made sure by reviewing the documents and original manifest, that such packages pertain to other places. The Customs will notify the Railroad to return these packages to the vessel which in turn will arrange their transportation to original destination.
34. The Railroad will mark on shipping documents, import bills and Customs statements before clearance of cargo that the Railroad has the cargo in the warehouses or in storage compounds, and will also mark the date when offloading was completed, its condition, whether it is in bad order and the number of voyage.
35. Operations connected with transit cargo, transshipment and supplying ships with provisions are not allowed except after completion of Customs formalities.
36. Customs will be notified of all cargo renounced by owners in writing, also of partial things and sweepings found in warehouses or storage areas or on the piers which are of unknown origin to be dealt with as unclaimed goods.
37. The Railroad will be responsible for the goods from the time they are offloaded from vessel or other means of transportation and loaded on Railroad cars. These goods will remain under Railroad custody and protection until they leave the Customs and are delivered to owners after completion of the necessary Customs formalities.

38. ~~After~~ approval of H.E. the Minister of Finance on these instructions, the Railroad and the Customs will agree upon the method with which all cargo presently stored in the Customs warehouses and compounds will be delivered and taken over by the Railroad. This cargo will be moved from the custody of Customs and entrusted to the Railroad after signature on delivery report of such cargo, as indicated by statements extracted by the Customs from their records and physically checked with cargo available in the warehouses and compounds during the operation of delivery and taking over.
39. Customs inspection on cargoes and persons is the duty of Customs employees. Customs employees stationed on the Customs gates will check released cargoes against what is shown on Customs release, and carry out any inspection as might be required. The Customs shall designate sufficient employees to inspect Company's homogeneous non-dutiable cargoes which the Customs think can be released during the day hours without taking it into the Customs Compound. If the Railroad wanted to continue working at night to release homogeneous cargoes referred to above, they will so notify the Customs to arrange for the placement of employees required for inspection and release. The Railroad should place such card on the main track adjacent to the station where there is sufficient lighting to save the employees the risk of walking between Railroad tracks at night.
40. Railroad and Customs employees or their delegates are requested to respect all regulations, orders and instructions pertaining to Customs and Railroad, and every dispute arising between the Customs and the Railroad in applying these instructions will be referred to the Ministry of Finance to decide on what should be followed.
41. The Railroad will erect fencing around the track from the shoreline to the Customs, and provide it with lighting at night as possible, to properly secure cargo. It will also provide telephone communications between the Railroad and the Customs to immediately settle matters connected with the Customs.
42. After the regular working hours the Customs warehouses will be closed with two padlocks, the Customs officer will keep a key of one padlock and the key of the other will be kept by the Railroad officer. Warehouses will be opened during the regular working hours in the presence of Customs employee and the Railroad officer who closed them, they should not be opened or closed before or after that and shall not also be opened at night.
43. The Railroad will maintain all Customs warehouses and relative platforms and will also maintain the scales, cranes and trucks used in offloading and loading of cargo.
44. The Railroad will provide the means of handling and offloading of cargo and will also provide the necessary porters and persons to open boxes for the Customs until the goods are delivered to owners.

(b) Public Works Organization

Public Admin.

*Letter 3
2/1/4*

As you know, the SAG has been for some years operating its public works department by means of a resident contractor. For reasons that need not be enlarged upon here, the plan has proved very unsatisfactory. The Minister of Finance has recently requested Mr. Blowers of the Monetary Agency to analyze the situation and advise him as to what should be done. I have conferred at length with Mr. Blowers, and we are in substantial agreement as to what ought to be done, particularly from the standpoint of organization and procedure. Blowers intends to advise the SAG that his recommendations are the sort any banker would make in considering financing a business or a government project but since he is not an engineer, they may or may not be sound in detail; that what is really required is a thorough study of the situation by an engineer with experience in administering a public work department; that the SAG should request this technical aid from TCA. I have reason to believe the request will be made and I am therefore placing the problem before you for consideration.

My present thought is that if this project is carried out it will not be necessary to set up a permanent division but that the visiting expert might well work under the Public Administration and Government Services Division since it is primarily a problem of organization.

The same plan could also be followed in the case of the tannery as I think it inadvisable to set up an industrial division at this time. If assistance is requested on public works, I suggest that Jim Rives, formerly Acting Director TCA Liberia, be considered by reason of his experience with a public works department with somewhat similar characteristics.

This

CONFIDENTIAL

CONFIDENTIAL

Mr. Fryer

7

Field Series Letter #3
February 14, 1953

PROGRAM (Continued)

Expected Requests

(b) Public Works Organization (Continued)

This suggests the possibility of establishing an engineering division which might be merged with the present Transportation Division. I think we now have enough divisions and it would not be advisable to add another to the list; hence the suggestion of a merger.

Series Letter #3 11/26

Public Administration: Mr. Kennedy has been working with the local ~~Customs~~ customs authorities in preparation of the commodity index which will greatly aid the interpretation of the tariff. The committee has been called to Dhahran for consultation with the Minister of Finance, and we hope that Mr. Kennedy will be able to accompany the committee which plans to leave in a day or so.

RESTRICTED

Customs

UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia
January 29, 1953

MEMORANDUM

MONTHLY OPERATIONS REPORT - PUBLIC ADMINISTRATION AND
GOVERNMENT SERVICES DIVISION - JANUARY , 1953

Customs and Tariff

Mr. Kennedy conferred with the Customs Committee, reviewing an index which will greatly simplify the interpretation of the new Tariff Law. This was a laborious and time consuming business as it involved decisions as to the particular tariff item under which imported items will be classified. After completion of the index Mr. Kennedy accompanied the committee to Dhahran on January 25, for consultation with the Ministry of Finance on the problem of relationship between the Government Railroad and Customs. The Railroad manages the Port of Damman and transports goods to the customs warehouse some eight miles from the port. Method of delivery of goods by the Railroad to customs has not proved satisfactory in that no clear-cut ending of the responsibility of the Railroad has been worked out. The Committee will also endeavor to secure approval of the Tariff Index so that it may be published.

John A. Dunaway
Acting U. S. Director of Technical
Cooperation in Saudi Arabia
and Chief, Public Administration and
Government Services Division

Customs

UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

December 30, 1952.

MEMORANDUM

FROM: John A. Dunaway, Chief, Public Administration and
Government Services Division.

RE: Monthly Report - December, 1952.

I. CUSTOMS ADMINISTRATION: The new Tariff went into effect on December 3, and Mr. Dunaway spent most of the time with the local Jidda customs helping to clarify the various provisions - particularly the classification of commodities. He also prepared, in cooperation with the Customs Committee, and sent to the printer draft of proposed bill of import entry, and worked on drafting the set of regulations governing the standard certified invoice.

II. TARIFF: Mr. Kennedy spent about 12 days in the Hasa area helping in the introduction of the new Tariff and making notes on difficulties that may require tariff revision later on. He also started the preparation of a complete index in Arabic, specifying the particular items of tariff under which each commodity falls.

III. BUDGET: Arrangements were finally made to send ^{the Accountant} ~~a competent~~ interpreter to Mecca to study the accounting system in use. This study may take some weeks, and as yet he has made no report.



UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION
Jidda, Saudi Arabia

MEMORANDUM

November 25, 1952

TO: Dr. Stratton

FROM: John A. Dunaway *gas*
Chief, Public Administration
and Government Services Division

RE: Monthly Operations Report - November

Monthly progress reports are attached from Messrs. Stacy and Kennedy.

I. CUSTOMS AND TARIFF

My own activities were largely confined to cooperation with Mr. Kennedy in the conferences in Riyadh at which the proposed tariff was revised in a form acceptable to the Minister of Finance. The new tariff was issued in the form of a Royal Decree, signed by H.R.H. the Crown Prince, on behalf of the King, on Friday, November 21.

Consideration of other matters relating to handling cargo and rates of charges at the Port of Jidda, and the proposed new accounting systems for customs, have been suspended due to the preoccupation with the tariff law.

The procedural changes proposed in my report of May 28, have, for the most part, been provided for in the administrative section of the tariff but they cannot be put into effect until the forms and instructions are prepared. This will take several months.

II. BUDGET AND ACCOUNTING

I have spent some time going over the files and reports in order to become familiar with the status of the work. I have suggested to Mr. Stacy the advisability of making a more thorough study of budgetary accounting and controls which appear to be the greatest weakness in the budgetary field. As the accounts are kept in Mecca, which non-Moslems cannot visit, permission is being sought from the Minister to send the Moslem accountant-translator to make the study.

Jidda, Saudi Arabia

October 16, 1952.

MEMORANDUM TO: Sadek Bey Hussaini

FROM: Dr. Samuel S. Stratton

RE: Attached Letter to His Excellency Shaikh Abdullah Sulaiman, and "Table Showing Dates of Ship Arrivals and Reports on Cargo by Port Authority", with Covering Letter from Mr. John A. Dunaway.

I enclose for your transmittal to the Saudi Arabian Government "Table Showing Dates of Ship Arrivals and Reports on Cargo by Port Authority".

Your kind attention to this request is appreciated.

Samuel S. Stratton
U. S. Director of Technical
Cooperation in Saudi Arabia

SSS/1
Enclosures



Jidda, Saudi Arabia
UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION
October 16, 1952.

Your Excellency:

With my approval, Mr. John A. Dunaway herewith submits a report showing dates of ship arrivals and reports on cargo by port authority. The table supplements his report of September 2, 1952.

Accept, Excellency, the renewed assurances of my highest consideration.

Very truly yours,

Samuel S. Stratton
U. S. Director of Technical
Cooperation in Saudi Arabia

His Excellency,
Shaikh Abdullah Sulaiman,
Minister of Finance,
J i d d a.



UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

October 16, 1952.

Your Excellency:

I have the honor to forward a table prepared by Jidda Customs showing the dates of ship arrivals and the dates on which cargo reports were rendered to Customs by the company operating the Port.

It will be noted that this report covers all ships arriving between 8/8/71 and 8/11/71 and that the time required to submit reports varies from one to seventy-six days.

This table supplements a report submitted under date of September 2, 1952, in which the handling and reporting on cargo by the company operating the Jidda Port were discussed at some length.

I have the honor to be,

Your Excellency,

Very truly yours,

JAD
John A. Dunaway
Customs Advisor

His Excellency,
The Minister of Finance,
J I D D A

TABLE SHOWING DATES OF SHIP ARRIVALS

NAME OF VESSEL DATE OF ARRIVAL
AND
REPORTS ON CARGO BY PORT AUTHORITY

NAME OF VESSEL	ARABIC DATE OF ARRIVAL	DATE OF SUBMITTING THE REPORT BY PORT AUTHORITIES	NUMBER OF DAYS
Al Taif	8/8/1371	14/9/1371	36
Yusuf	10/8/1371	20/8/71	10
Jehankir	10/8/1371	22/8/71	12
Al Hag	10/8/1371	20-/8/71	10
Ghuxen	11/8/1371	1/9/71	20
Fumiro	11/8/1371	1/9/71	20
Tawfik	11/8/1371	1/9/71	20
Bontinia	13/8/1371	19/8/71	6
Steel Chemist	14/8/1371	29/8/71	15
Marken	14/8/1371	29/8/71	15
Yusuf	16/8/1371	21/8/71	5
Hugly	16/8/1371	26/8/71	10
Sulfor	16/8/1371	15/10/71	59
Al Hag	17/8/1371	19/8/71	2
Axen Fils	19/8/1371	5/11/71	76
Athen	19/8/1371	11/10/71	52
Yusuf	20/8/1371	28/8/71	8
Alkarim	21/8/1371	28/8/71	7
Safina Arab	22/8/1371	25/8/71	3
Captin Lamp	22/8/1371	27/8/71	5
Bayanita	21/8/1371	27/8/71	6
Geargusib	21/8/1371	11/10/71	50
Heelnik Krisola	23/8/1371	11/10/71	48
Taitus	22/8/1371	15/10/71	53
Maria Vectoria	23/8/1371	11/10/71	48
Al Sabre	23/8/1371	10/9/71	17
Stadium	24/8/1371	28/9/71	34
Al Zamalik	24/8/1371	5/10/71	41
Ponter Senia	25/8/1371	23/9/71	28
Flying Arrow	22/8/1371	7/10/71	45
Nasir	28/8/1371	15/10/71	47
Ala Min	27/8/1371	15/9/71	18
Mendsor	27/8/1371	9/10/71	42
Akbar	28/8/1371	14/9/71	16
Mozaffary	1/9/1371	9/10/71	38
Steel Director	1/9/1371	9/10/71	38
Pamirol	1/9/1371	14/10/71	44
Flying Trader	29/8/1371	4/10/71	35
Kertosono	5/9/1371	11/10/71	36
Al Taif	5/9/1371	27/9/71	22
Al Hag	6/9/1371	25/9/71	19
Tendarios	9/9/1371	25/9/71	16
Halfaya	9/9/1371	25/9/71	16
Montiliopo	11/9/1371	11/10/71	30
Flying Klipper	9/9/1371	11/10/71	32

NAME OF VESSEL	ARABIC DATE OF ARRIVAL	DATE OF SUBMITTING THE REPORT BY PORT AUTHORITIES	NUMBER OF DAYS
Al Karim	11-9-1371	25-9-1371	14
Al Zamalik	12-9-1371	11-10-1371	29
Sinkarlo	12-9-1371	25-11-1371	73
Tymafo	12-9-1371	12-11-1371	60
Vemus	14-9-1371	29-10-1371	45
Jawa	13-9-1371	15-10-1371	32
Morbihan	14-9-1371	11-10-1371	27
Bidonto	15-9-1371	21-9-1371	6
Al Halal	16-9-1371	11-10-1371	5
Garbita	15-9-1371	22-10-1371	37
Al Amin	19-9-1371	11-10-1371	22
Bianita	18-9-1371	27-9-1371	9
Siram	18-9-1371	15-10-1371	27
Steel Fabricator	21-9-1371	15-10-1371	24
Athena	20-9-1371	15-10-1371	25
Letright	21-9-1371	24-10-1371	33
Sagara	22-9-1371	3-11-1371	41
Frezland	22-9-1371	Not Submitted	
Letrkrok	23-9-1371	22-11-1371	59
Vensinzo	24-9-1371	Not Submitted	
Sir John Franklin	25-9-1371	15-10-1371	20
Salfury	25-9-1371	1-11-1371	36
Steel Executive	28-9-1371	22-10-1371	24
Al Hag	28-9-1371	21-10-1371	23
Al Karim	28-9-1371	23-10-1371	25
Pontinia	28-9-1371	12-10-1371	14
Steel Architect	3-10-1371	29-10-1371	26
Al Taif	3-10-1371	3-11-1371	30
Mekand	5-10-1371	12-10-1371	7
Blagosa	6-10-1371	7-11-1371	31
Jiorjosp	6-10-1371	3-11-1371	27
Brafora	8-10-1371	21-10-1371	13
Falbrato	8-10-1371	29-10-1371	21
Alhalal	9-10-1371	Not Submitted	
Sagara	9-10-1371	24-10-1371	15
Lendy	10-10-1371	4-11-1371	24
Steel Age	11-10-1371	21-10-1371	10
Cotafidy	9-10-1371	22-10-1371	13
Ramsen Halets	11-10-1371	19-10-1371	8
Silver Walnut	11-10-1371	23-10-1371	12
Tawaly	13-10-1371	21-10-1371	8
Safina Arab	12-10-1371	15-10-1371	3
Al Amin	15-10-1371	23-10-1371	8
Tendarlos	15-10-1371	23-10-1371	8
Polisas	13-10-1371	Not Submitted	
Anolak	15-10-1371	20-11-1371	35

NAME OF VESSEL	ARABIC DATE OF ARRIVAL	DATE OF SUBMITTING THE REPORT BY PORT AUTHORITIES	NUMBER OF DAYS
Boris	16-10-1371	4-11-1371	18
Al Zahir	16-10-1371	24-10-1371	8
Lowana	17-10-1371	24-10-1371	7
Caltex	17-10-1371	24-10-1371	7
Bianita	17-10-1371	23-10-1371	6
Azefego	17-10-1371	21-10-1371	4
Medan	18-10-1371	24-11-1371	36
Trafit	18-10-1371	Not Submitted	
Brownpels	19-10-1371	Not Submitted	
Talody	20-10-1371	13-11-1371	23
Monty Seripo	21-10-1371	20-11-1371	29
Lahnik	20-10-1371	Not Submitted	
Pomirol	23-10-1371	4-11-1371	11
Al Taif	23-10-1371	5-11-1371	12
Jabnjet	24-10-1371	Not Submitted	
Broklen Hites	27-10-1371	8-11-1371	11
Sagara	25-10-1371	3-11-1371	8
Tarakan	27-10-1371	3-11-1371	6
Al Hag	21-10-1371	7-11-1371	16
Safina Arab	21-10-1371	3-11-1371	12
Steel Advocate	21-10-1371	24-11-1371	33
Steel Surveyor	21-10-1371	11-11-1371	20
Muzaffary	3-11-1371	5-11-1371	2
Jehankeer	4-11-1371	Not Submitted	
Ahalal	4-11-1371	7-11-1371	3
Trules	6-11-1371	7-11-1371	1
Mareb	6-11-1371	7-11-1371	1
Al Nabil	7-11-1371	9-11-1371	9
Denib	7-11-1371	24-11-1371	17
Taludy	8-11-1371	17-11-1371	9
Sing Cup	9-11-1371	25-11-1371	16
Pontenia	8-11-1371	25-11-1371	17
Al Karim	8-11-1371	Not Submitted	

29-11-1371



UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

October 11, 1952.

MEMORANDUM TO: Sadek Bey Hussein

FROM: Dr. Samuel S. Stratton

RE: Submittal of Letter to His Excellency,
Hajib Bey Salha, re Survey of Jidda Customs
Accounts by Fuad Abu-Izzeddin

I enclose for your transmittal to His Excellency,
Hajib Bey Salha, my letter approving Fuad Abu-Izzeddin's
report on the Jidda Customs Accounts and his fee of \$3,000.

I would appreciate your forwarding this promptly to
His Excellency.



UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

October 11, 1952.

Excellency:

On the recommendation of Dr. Arthur W. Young and Mr. John A. Dunaway, I wish to give my approval to the report of Fuad Abu-Izzeddin on the Jidda Customs Accounts.

Mr. Izzeddin has made his fee \$3,000 for this study. It is our opinion that this is a fair amount, and I recommend that he be paid.

I enclose a copy of Mr. Izzeddin's letter to Mr. Dunaway with regard to his report and fee.

Accept, Excellency, the renewed assurances of my highest consideration.

Samuel S. Stratton
U. S. Director of Technical
Cooperation in Saudi Arabia

His Excellency,
Hajib Bey Salha,
Assistant Deputy Minister
of Finance,
J i d d a.

FUAD ABU-IZZEDDIN, M.B.A., A.A.C.C.A.

Head Office :

CERTIFIED ACCOUNTANT

Saudi Arabia Branch :

Beirut, Lebanon

Rue George Picot

P.O.B. 1242 - Tel. 62-76

King Abdel Aziz St.

Jeddah

In Your reply please quote

Sept. 25 1952

Mr. John A. Dunaway
Customs Advisor, TCA
Jeddah.

Dear Mr. Dunaway,

Subject: Jeddah Customs Accounts

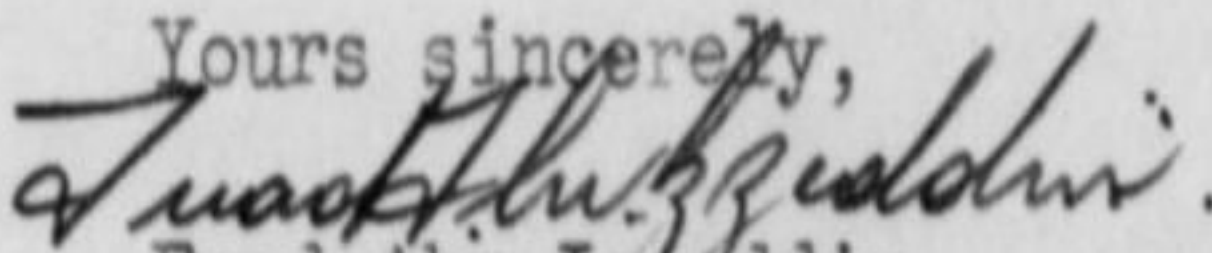
I take pleasure in submitting to you under separate cover my report, in English and in Arabic, on the results of my study of Jeddah Customs Accounts.

I started my investigations early in June, and the job has taken about three months to complete. Owing to the nature of the assignment, I had to perform the whole work from beginning to end all by myself, as no part of it could be delegated to my assistants.

My professional fees for making the study and writing the reports amount to three thousand dollars.

I shall be interested and pleased to give all possible assistance and cooperation when the new system is being installed.

Yours sincerely,



Fuad Abu-Izzeddin

Certified Accountant

FUAD ABU-IZZEDDIN, M.B.A., A.A.C.C.A.

Head Office :
Beirut, Lebanon
Rue George Picot
P.O.B. 1242 - Tel. 62-76

CERTIFIED ACCOUNTANT

Saudi Arabia Branch
King Abdel Aziz St.
Jeddah

In Your reply please quote

J/7/52

Sept. 25..... 132

Mr. John A. Dunaway
Customs Advisor, TCA
Jeddah.

Dear Mr. Dunaway,

Subject: Jeddah Customs Accounts

I take pleasure in submitting to you under separate cover my report, in English and in Arabic, on the results of my study of Jeddah Customs Accounts.

I started my investigations early in June, and the job has taken about three months to complete. Owing to the nature of the assignment, I had to perform the whole work from beginning to end all by myself, as no part of it could be delegated to my assistants.

My professional fees for making the study and writing the reports amount to three thousand dollars.

I shall be interested and pleased to give all possible assistance and cooperation when the new system is being installed.

Yours sincerely,

Fuad Abu-Izzeddin
Certified Accountant

Mr. Danaway
Mr. Kennedy

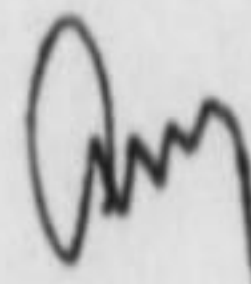
Jidda
May 13, 1952

His Excellency
Najib Bey Salha
Riyadh

Dear Najib Bey:

Mr. Abou Izzadin states that the Customs authorities wish an official letter from the Ministry of Finance regarding the work which the Ministry wishes him to do at the Customs. I shall be grateful if you will kindly send them a letter explaining this and asking them to make available to him their records and books of account. Please let either him or me know when such a letter is being sent - perhaps sending it to the Customs through him.

Sincerely yours,



Arthur N. Young
Financial Advisor

Your Excellency:

I have the honor to forward a letter from Mr. Fuad Abu-Izzeddin in which he suggests a fee of \$3,000.00 for his recent study of the accounting system of Customs.

Mr. Young and I
~~I have the honor to~~ recommend that this matter receive favorable consideration.

I have the honor to be, Your Excellency,

Very truly yours,

John A. Dunaway
Customs Advisor

His Excellency,
Shaikh Abdulla Sulaiman,
Minister of Finance,
Jidda, Saudi Arabia.



UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

September 27, 1952.

Your Excellency:

I concur in the recommendations made to me by Mr. John A. Dunaway with regard to the report of Mr. Abu-Izzeddin. I have the honor, therefore, to submit to you Mr. Izzeddin's report with the comments of Mr. Dunaway.

Accept, Your Excellency, my high esteem.

Very truly yours,

Sammuel S. Stratton
U. S. Director of Technical
Cooperation in Saudi Arabia

His Excellency,
Najib Bey Salha,
Assistant Deputy Minister
of Finance,
Jidda.

X Copy
File: Customs
Mr. Dunaway

Jidda, Saudi Arabia

September 25, 1952

His Excellency
The Minister of Finance
Saudi Arabian Government

Your Excellency:

I have the honor to forward a report by Mr. Abu-Izzeddin on the Customs Accounting system, with recommendations for improvements. The defects noted by Mr. Abu-Izzeddin are very grave indeed. The system which he proposes would, I believe, be adequate and could be installed without undue disruption of Customs work. I recommend, therefore, that the proposed system be adopted and installed as soon as convenient.

Expert assistance and guidance will be advisable, especially at the more important ports. I recommend, therefore, that Mr. Abu-Izzeddin be commissioned to supervise the installation of the new system until such time as it is thoroughly established. I shall be glad to advise and assist in this to the best of my ability.

I have the honor to be, Your Excellency,

Very truly yours,

JAD
John A. Dunaway
Customs Advisor

Jidda
September 25, 1952

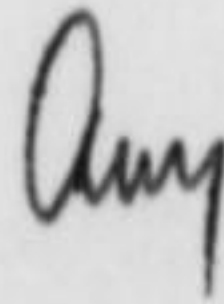
His Excellency Shaikh Abdullah Sulaiman
Minister of Finance
Jidda

Your Excellency:

I have the honor to refer to the report of Mr. Abu-Izzedin on customs accounting which Mr. Dunaway is transmitting to Your Excellency as of this date.

The improvement of the accounting system of the Saudi Arabian customs system is of great importance. It is my hope that the proposal made by Mr. Abu-Izzedin may be carried into effect.

Respectfully,



Arthur N. Young
Financial Advisor

A STUDY OF THE SYSTEM OF ACCOUNTS
OF JEDDAH CUSTOMS

Fuad Abu-Izzeddin, M.B.A., A.A.C.C.A.

Certified Accountant

Jeddah, Saudi Arabia

September, 1952

H. Books and Forms in Use	17
OUTLINE OF CONTENTS	
IV. Day Book Department	20
V. Analysis of Revenue	20
	<u>Page No.</u>
INTRODUCTION	1
PART I	
THE ACCOUNTING SYSTEM AND PROCEDURES	
I. The Type of System	3
II. The Cashier's Department	4
A. Kinds of Duty Receipts	4
B. Other Receipts	5
C. Kinds of Payments	5
D. Recording Receipts on the Books	6
E. Recording Notes Receivable	6
F. Entering Other Forms of Duty Receipts	7
G. Recording Sundry Receipts Other than Duty Revenue	7
H. Recording Cash Payments	8
I. The Monthly Return	9
J. Books and Forms in Use	9
K. Duplicate Books and Numerous Signatures	12
III. District Accounts Department	12
A. Notes Receivable	12
B. Bank Transactions	13
C. Deposits Covering Duty Under Dispute	14
D. Banderole Stamps	15
E. Papers of Value	16
F. Analysis of Revenue	16
G. Inland Shipments	16

PART III

H. Books and Forms in Use	17
RECOMMENDATIONS AND REMEDIES	
IV. Day Book Department	20
I. The Separation of Cash Receipts from Other Kinds of	
A. Analysis of Revenue.	20
II. B. Samples.	21
C. Imports of Diplomatic and Consular Services. . .	21
III. A New System for Recording Cash Payments.	36
D. Registration of Errors	22
IV. New Procedure for Recording Non-Cash Duty Revenue. . .	37
E. Books and Forms in Use	22
V. The Treatment of Notes Receivable	39
V. Government Imported Materials Department	23
VI. Treatment of Government Imported Materials	39
A. Procedure Followed	23
VII. Banknote Receipts.	39
B. Books and Forms.	24
VIII. Letters of Credit and Credit Orders to be	
Discontinued	39

PART II

IX. Notes Receivable to be Gradually Discontinued	40
EVALUATION AND CRITICISMS	
I. Temporary Payments to be Discontinued.	40
I. General Remarks.	25
XI. A Pre-judgment of the Visitors Book to be Made.	41
A. An Incomplete Cash System.	25
XII. The Form of Day Book to be Amended.	41
B. Complications in the Different Methods Allowed	
in Payment of Duty	26
XIII. of Visitors Book	41
C. No Differentiations between Cash and Non-Cash	
Receipts	27
XIV. D. A Great Burden is Laid on the Cashier.	27
E. Duplicate Books and Numerous Signatures.	27
PART IV	
II. Specific Remarks.	28
APPENDIX A: Specimen Books and Forms in Use, Nos. 1-15. .	44
APPENDIX B: Specimen Books and Forms Recommended, Nos. 1-8	45

PART III

RECOMMENDATIONS AND REMEDIES

I. The Separation of Cash Receipts from Other Kinds of Receipts.	34
II. The Adoption of a New Procedure to Record Cash Receipts	35
III. A New System for Recording Cash Payments.	36
IV. New Procedure for Recording Non-Cash Duty Revenue. . .	37
V. The Treatment of Notes Receivable	39
VI. Treatment of Government Imported Materials	39
VII. Banderole Receipts.	39
VIII. Letters of Credit and Credit Orders to be Discontinued	39
IX. Notes Receivable to be Gradually Discouraged	40
X. Temporary Payments to be Cleared.	40
XI. A Pre-Audit of the Visitors Book to be Made.	40
XII. The Form of Day Book to be Amended.	41
XIII. Copies and Duplications to be Reduced. Amendment of Visitors Book	41
XIV. The Daily Reconciliation.	41
XV. Conclusion	42
PART IV	
APPENDIX A: Specimen Books and Forms in Use, Nos. 1-15. .	44
APPENDIX B: Specimen Books and Forms Recommended, Nos. 1-8	45

APPENDIX A

APPENDIX A

Listing Books and Forms in Use

Listing Books and Forms Recommended

<u>Form No.</u>	<u>Title</u>
1	Book of Temporary Transactions
2	Cash Day Book
3	Notes Receivable Book
4	Banderole Book
5	Notes Receivable Journal
6	Notes Receivable Ledger
7	Bank Book
8	Subsidiary Revenue Book
9	Revenue Analysis Book - Commercial
10	Deposits Book
11	Book of Papers of Value
12	Banderole Journal
13	The Day Book
14	Daily Statement
15	Cash Receipt Voucher

APPENDIX B

Listing Books and Forms Recommended

<u>Form No.</u>	<u>Title</u>
1	Return of Daily Cash Receipts
2	Cash Receipts Book
3	Return of Daily Cash Payments
4	Cash Payments Book
5	Receipt for Customs Revenue other than Cash Revenue
6	Return of Daily Revenue other than Cash Revenue
7	Book of Daily Revenue
8	Daily Reconciliation Sheet

INTRODUCTION

When TCA Technical Advisors were conducting their studies on Customs, Mr. John A. Dunaway observed that the system of accounts in use was defective and needed amendment. With the approval of His Excellency Najib Bey Salha, Assistant Deputy Finance Minister, I was requested by Dr. Arthur N. Young, Finance Minister, to study the situation and recommend possible and immediate remedies.

As no written accounting procedures were available, I had to collect the primary data myself through direct contact and personal interviews with each one of the accountants and clerks working in the Jeddah Customs Accounts Sections. This has given me a valuable opportunity to study the procedures followed, to get acquainted with the books and forms in use, and to observe the working methods and test the defects.

I take pleasure in submitting this report on the results of my studies and investigations. It is divided into four parts:

- Part I: A Description of the Accounting System and Procedures
- Part II: Evaluation of the System and Criticisms
- Part III: Recommendations and Remedies
- Part IV: Appendix of Specimen Forms

In carrying out this study, it was necessary for me to depend on the assistance of a number of individuals who have been kind and willing to provide me with the facilities and to

supply the information requested. To every one of them I extend my thanks and in particular to His Excellency Najib Bey Salha, Assistant Deputy Finance Minister, His Excellency Ahmad Bey Lary, Director of Customs, and assistants, the Jeddah Accountant, the Hedjaz District Accountant, and Cashier; and finally to the Technical Cooperation Administration, to Dr. Arthur Young and especially to Mr. John Dunaway whose advice and assistance have been very valuable in conducting the study and preparation of the report.

Receipts and are counterbalanced by opposite disbursements and payment entries, and vice versa, so that the actual cash balance is left unbalanced. This system is prevalent where the accounting methods are not well developed and double entry bookkeeping is not practiced.

The "governmental system," which is of Turkish-Syrian origin, is practiced by a number of countries in the Middle East. Its outstanding characteristic is the use of duplicate bound books kept by different clerks or departments to record the same transactions, the multiplicity of signatures required on checks and vouchers and the lengthy, unnecessary routine of procedure and methods.

In the following pages the system and procedure are explained in detail. These are compiled by the system as such.

Part I: THE ACCOUNTING SYSTEM AND PROCEDURES

I. The Type of System

The accounting system in use is a combination of a "Cash System" and "governmental accounting system" of Turkish-Syrian origin.

A "Cash System" is characterized by the use of a cash book for recording all kinds of transactions whether cash or credit. Credit transactions are recorded as fictitious cash receipts and are counterbalanced by opposite fictitious cash payment entries, and vice versa, so that the actual cash balance is left undisturbed. This system is prevalent where the accounting methods are not well developed and double entry bookkeeping is not practiced.

The "governmental system," which is of Turkish-Syrian origin, is practiced by a number of countries in the Middle East. Its outstanding characteristics lie in the use of duplicate bound books kept by different clerks or departments to record the same transactions, the multiplicity of signatures required on books and vouchers and the lengthy, unnecessary routine of procedure and methods.

In the following pages the system and procedure are explained in detail.

II. The Cashier's Department

In a Cash System, the Cashier's Department occupies a position of primary importance. The cash records contain all the entries, both cash and credit. For this reason the procedure followed and the books used will be explained in detail.

A. Kinds of Duty Receipts

The following kinds of receipts are accepted in the payment of customs duty and are recorded as receipts on the cash book:

1. Actual Cash in legal tender money
2. Notes Receivable: these are promissory notes made by merchants to be repaid at a determinable future date
3. Bank Receipts: these vouchers are issued by the Bank against payment of duty to the Bank for the account of the Customs Department
4. Letters of Credit: these are issued by the Ministry of Finance in favor of merchants, presumably creditors to the Government, and are utilized in offsetting customs duties
5. Orders for Government Imported Materials: a special department in the Customs House issues these orders on the authority of letters received from the Ministry of Finance for goods imported by the Government. These are accepted by the cashier as cash.

6. Credit Orders: these are issued by the Ministry

B. Recording Receipts on the Books

of Finance and testify that duty has been settled by the merchant with the said Ministry and that cash receipt vouchers will be forwarded at a later date.

1. The amount of duty shown on the Visitors Book is

B. Other Receipts

received by the cashier either in cash or in one

The above kinds of receipts are concerned with the payment of duty. There are other kinds of receipts

2. The cashier signs the said Book and passes it to

handled by the cashier:

the Cash Book Clerk who posts the receipt on his

1. Deposits: when there is a controversy over the duty to be paid, a temporary deposit is paid by the merchant pending final decision

3. This is then transferred to a clerk who prepares a

2. Bandarola Receipts: these are the proceeds of the sale of tobacco fiscal stamps after being signed by the cashier and the Director

3. Notes Receivable: for cash received in settlement of the notes at maturity

C. Kinds of Payments

customs. (Refer to Form No. 15, Appendix A)

The following types of payments are made by the cashier:

4. At the end of the day the Cash Book Clerk and the

1. Actual cash payments authorized by the Ministry of Finance and covering salaries and expenses

Temporary Transactions. (Refer to Form No. 1, Appendix A)

2. Deposits of surplus funds at the Dutch Bank

D. Recording Notes Receivable

recorded by the cashier in his book of Temporary

Transactions. These will be explained later.

is the same as for cash receipts. The cashier keeps the

by the cashier

D. Recording Receipts on the Books

The Visitors Book (Daftar Al-Mubassir) forms the basis of original entry on the books. The procedure followed in recording receipts may be outlined as follows:

1. The amount of duty shown on the Visitors Book is received by the cashier either in cash or in one of the accepted forms of payment.
2. The cashier signs the said Book and passes it to the Cash Book Clerk who posts the receipt on his Cash Book under a serial number which he endorses on the Visitors Book (Refer to Form No. 2, Appendix A).
3. This is then transferred to a clerk who prepares a Receipt Voucher which is handed over to the merchant after being signed by the cashier and the Director of Customs. This receipt entitles the merchant to a delivery order for drawing his goods out of customs. (Refer to Form No. 15, Appendix A).
4. At the end of the day the Cash Book Clerk adds the Cash Book to obtain the total daily revenue. This total is posted by the cashier to his Book of Temporary Transactions. (Refer to Form No. 1, Appendix A).

E. Recording Notes Receivable

Where notes receivable are accepted, the procedure is the same as for cash receipts. The cashier keeps the

promissory note in his safe and records it on his Notes Receivable Book (Form No. 3, Appendix A). When the merchant pays the note at the due date, the cashier hands it over to him and records the entry on the credit side of the Notes Receivable Book.

F. Entering Other Forms of Duty Receipts These are covered

Where settlement of duty takes the form of Bank Receipts, Letters of Credit, Orders, etc. the procedure is similar to that outlined in Paragraph D supra. In these cases, however, the cashier makes fictitious payment entries on his Book of Temporary Transactions. He keeps these documents until the end of the month when he lists them and forwards them to the Ministry of Finance. These are paid pending the

G. Recording Sundry Receipts Other Than Duty Revenue

These types of receipts were enumerated in Paragraph B above. They are recorded as follows:

1. Notes Receivable Redeemed: it is interesting to note that no entry is made in the cash records when cash is received in settlement of Notes Receivable. The cashier posts the transaction to his Notes Receivable Book only. Forwarded to the Ministry of
2. Deposits: deposits received are not recorded in the Cash Book. They are covered by special receipt vouchers which are posted to the Deposits Book kept by the cashier

3. Banderole Receipts: the Tobacco Stamps are sold by the cashier against special receipt vouchers which are posted to the Banderole Book (Form No. 4, Appendix A).

H. Recording Cash Payments

1. Payment of Salaries and Expenses: these are covered

by Cash Payment Vouchers duly authorized by the Ministry of Finance. No entry is made in the Cash Book which is reserved for Cash receipts only. They are, however, posted to the Book of Temporary Transactions kept by the cashier. At the end of the month these are listed and forwarded to the Ministry of Finance also submitted with the return.

of Finance

2. Temporary Payments: these are paid pending the receipt of proper authority from the Ministry of

Finance. They are requested by temporary vouchers

1. Cash Receipts: "after El-Junk" Refer to Form No. 2, Appendix A

in the books

3. Deposits at the Bank: surplus cash is deposited at the Bank. A receipt is obtained. The entry is only receipts appear in this book. Payments are recorded in the Book of Temporary Transactions.

Receipts are listed and forwarded to the Ministry of

Finance at the end of the month

4. Fictitious Payments: the above represent actual

cash payments. There are, however, a number of

fictitious cash payments recorded in the Book of Temporary Transactions in order to counterbalance fictitious cash receipts. These include Bank Receipts, Ministry Orders and Credit Notes and Duty on Government Imported Materials

I. The Monthly Return

At the end of each month the cashier submits to the Ministry of Finance at Jeddah, through the Director of Customs, a monthly return listing the different orders and vouchers shown on the credits side of the Book of Temporary Transactions. The orders and vouchers are also submitted with the return.

J. Books and Forms in Use

The following books are kept by the cashier's department:

1. Cash Book: "Daftar El-Sandook" Refer to Form No. 2, Appendix A

- a. all items of revenue, whether in cash, notes or orders, are recorded as cash receipts
- b. only receipts appear in this book. Payments are not recorded
- c. the posting on this book is made from the Visitors Books and the Cash Receipt Vouchers
- d. the total of this book represents the total revenue

from customs duties and should agree with the total of the Visitors Books

e. this book is kept by a clerk housed in a room adjacent to the cashier's room

2. Book of Temporary Transactions: "Daftar Al-Muwakatat"

Refer to Form No. 1, Appendix A

a. this book is kept by the cashier himself. It is supposed to be a Cash Book for recording receipts and payments as practiced in a "Cash System"

b. on the debit or receipts side are shown:

(1) total daily revenue as obtained from the

Cash Book

(2) balance brought forward from the previous day

c. on the credit or payments side:

(1) payments of actual cash

(2) fictitious payments to counterbalance

fictitious receipts

(3) balance carried forward to the next day

d. the balance of this book in a "Cash System"

properly kept should show the cash balance on hand.

This is not the case with this book as will be

explained under remarks and criticisms

3. Notes Receivable Book: "Daftar Al-Mihal" Refer to

Form No. 3, Appendix A

- a. this book is also kept by the cashier himself and serves to record transactions dealing with promissory notes given by merchants in settlement of duty
- b. on the debit or receipts side appear: details of promissory notes received. These are recorded daily and chronologically
- c. on the credit side, record is made of promissory notes paid or redeemed
- d. a separate sheet is kept for each day
- e. an exact copy of this book is kept by the District Accountant

4. Deposits Book: "Daftar At-Ta'minat"

- a. this book is also kept by the cashier and is used to record temporary deposits made by merchants pending final ruling or agreement on disputed customs duty
- b. on the right hand side or debit side, receipts are posted from a special Deposits Receipt Voucher
- c. refunds are posted to the left hand or credit side
- d. a similar book is kept by the District Accounts Department

5. Bandarola Book: "Daftar-El-Bandarola" Refer to Form No. 4, Appendix A

- a. the cashier keeps this book to record the receipt and rates of tobacco fiscal stamps

b. on the receipts side, proceeds from the sale of stamps are posted from a special receipt voucher designed for

2. Bank this purpose

c. on the payments or opposite page, an entry is made
Banks once per month to show the payment of the sums collected
1. to the Treasury

d. a similar book is also kept by the District Accounts
Department

2. The merchant pays the bank to the Bank and obtains a

III. District Accounts Department

The following explanations show the procedure of recording the various types of transactions with which this Department is concerned. This Department may be labelled as the General Accounts Department of Jeddah District.

A. Notes Receivable in the Bank Book. The original is signed

1. Promissory notes signed by the merchants and approved by the Director of Customs are accepted for the payment of duty. These are passed to a clerk who endorses the notes with serial numbers, records them in the Notes Receivable Journal and forwards them to the cashier

* No. 5 (Form No. 5, Appendix A) This letter is addressed to the Director of the Bank as per specimen

2. The procedure when the notes are paid is as follows:
"Dear Mr. Hussein Attas:

A few days before maturity the merchant is given
Greetings. Kindly receive from me
notice. He pays the money to the cashier, receives
of customs.

the cancelled note and carries it to this Department

where it is credited to the merchant's account in the

Notes Receivable Ledger (Form No. 6, Appendix A)

B. Bank Transactions

Merchants sometimes pay the amount of duty to the Dutch Bank:

1. The merchant secures an order^{*} from the Director of Customs to pay the amount of duty shown on the Visitors Book.
Special Visitors Book is used to record deposits which
2. The merchant pays the cash to the Bank and obtains a Banker's Receipt or cheque in triplicate. This is
3. This is presented to the Director of Customs who endorses the first copy only and passes the three copies to the District Accounts Department.
4. A serial number is given and endorsed on the Receipt. It is recorded in the Bank Book. The original is signed by the District Accountant and handed over to the merchant who pays it to the cashier. The other two copies are filed (Form No. 7, Appendix A)
5. Each month an exact copy of the Bank Book is sent to the Hedjaz Area Accounts office.

* No printed form is used. A simple letter is addressed to the Director of the Bank as per specimen:

"Dear Mr. Hussein Attas:

Greetings. Kindly receive from Mr. _____ the above-mentioned sum and give him a cheque to be counted as a deposit of customs.

God preserve you,

Director of Customs"

C. Deposits Covering Duty Under Dispute

When there is a controversy between the merchant and the customs over the amount of duty payable, the merchant is allowed to clear his goods on payment of a deposit, pending final decision:

The following outline shows the procedure followed in such cases:

1. A special Visitors Book is used to record deposits which may either be made in cash or by Promissory Notes
2. A special cash receipt voucher is issued; this is posted to the deposits book (Form No. 10, Appendix A)
3. When the deposit is settled, the details of assessment are transferred from the special Deposits Visitors Book to the Regular Visitors Book, and the transaction is then treated in the ordinary way as a fresh payment of duty
4. The Deposit Voucher is endorsed by the District Accountant and the Director of Customs, approving the refund of deposit
5. This is passed to the cashier for payment. An entry is made on the credit side of the Deposits Book (Form No. 10, Appendix A)
6. As explained previously, the cashier also keeps a separate but identical deposit book
7. At the end of each month the Deposit Book is copied on a sheet which is forwarded to the Area Accountant

D. Banderole Stamps

The treatment of Banderole transactions is as follows:

1. The District Accountant gives the merchant a statement (1) showing the number of packages of cigarettes and the quantity and value of stamps. The information is obtained from the Visitors Book
2. The cashier receives the money, gives the stamps and enters the details in his Banderole Book. A special receipt voucher is issued to the merchant
3. The District Accountant records the transaction on his Banderole Journal as a sale of stamps (Form No. 12, Appendix A)
4. A monthly statement is prepared and forwarded to the Area Accountant. It shows the transactions performed during the month

(1) The statement takes the following form:

"Statement of Stamps sold to Merchant _____
to be affixed on cigarette packets received on Steamer
_____ from _____ on _____ (date)
as per Visitors Book No. _____ dated _____

	Packages	No.	Red Stamp	Para	Church
Cigarettes of 20 nos.	5000		20,000	3	1500

only four thousand five hundred church.

District General
Accountant"

E. Papers of Value

Printed forms or Papers of Value as they are called, such as receipts, export forms, certificates, etc. are charged to merchants at the price of one ghash per form.

These forms are received by the Area Accounting Office and issued to the District employees using them. Proceeds from sales are also accounted for to the cashier. A special book is used to record the receipt and sale of these forms (Form No. 11, Appendix A).

F. Analysis of Revenue

Revenue is analyzed daily from the Visitors Books by the Day Book Clerk who passes the figures to the District Accounts Department in the form of a return. This is posted on a Revenue Analysis Book. Both import and export duties are analyzed. A special analysis book is kept for government imported materials.

Subsidiary revenue is also analyzed in a special book (Forms 8 and 9, Appendix A).

A monthly summary is prepared and forwarded to the Area Accounts office.

G. Inland Shipments

Details of incoming and outgoing inland shipments and consignments are entered on a special book. No values are placed and no duties are charged.

H. Books and Forms in Use

1. Notes Receivable Journal: "Daftar Yawmiyat Al-Mihal" Refer to Form No. 5, Appendix A

It is used to record the promissory notes given to merchants in payment of Customs duty. A similar book is kept by the Cashier.

2. Notes Receivable Ledger: "Daftar Ostaz Al-Mihal" Refer to Form No. 6, Appendix A

a. It is a subsidiary ledger with a page for each merchant.

b. Entries are posted to this ledger from the Notes Receivable Journal.

c. It shows the outstanding promissory notes against each merchant and details of settlement.

3. Bank Book: "Daftar El-Bank" Refer to Form No. 7, Appendix A

This is used to record Bank Receipts covering duty paid by merchants to the Government's account at the Dutch Bank.

When merchants pay Customs Duty into the Bank, they obtain a Banker's Receipt (or Cheque, as it is called) which before being paid to the Cashier, is passed to the District Accountant where it is given a serial number and posted chronologically on the Bank Book.

4. Deposit Book: "Daftar At-Ta'minat" Refer to Form No. 10, Appendix A

Deposits received on account of duty under dispute are recorded in this book.

On the right hand, or receipts side, are recorded:

- a. Deposits received, posted from special deposit receipt vouchers.
- b. Balance brought forward from the previous month.

The opposite left hand side shows:

a. Refunds of deposits.

b. Balance carried forward to the next month.

5. Banderole Journal: "Daftar El-Banderole" refer to Form No. 12,

Appendix A

This is used to record the receipts and sales of tobacco stamps.

a. The right hand page shows the quantity of stamps received of each denomination during the month and the balance brought forward from the previous month.

b. The left hand page shows the quantities sold during the month and the balance carried forward to the following month.

c. The columns show quantities only with the exception of the total column which shows the total amount. This is obtained by calculation, being the sum of the products (the quantity of each denomination multiplied by the value).

6. Book of Papers of Value: "Daftar Al-Awrak That Kimat" Refer to Form No. 11, Appendix A

This book is used to record the receipts and issues of papers of value such as receipt vouchers, certificates, etc.

On the debit or right hand side is shown the number of forms received of each employee.

Sales are shown on the credit or left hand side.

7. Subsidiary Revenue Book: "Daftar Al-Awaid Al-For'iyat" Refer to Form No. 8, Appendix A

Items of subsidiary revenue on imports such as municipal

fees, Palestine tax, etc., are recorded on the right hand or debit side of this book.

On the left hand sheet are posted items of subsidiary revenues on exports such as Takhrijieh, Schools, etc.

The above data is taken from the Revenue Analysis Book.

8. Revenue Analysis Book: Commercial. "Daftar Tanwi' Al-Waridat"

Refer to Form No. 9, Appendix A

This is a statistical book in which the Customs revenue is analyzed under a number of headings.

Import duties are analyzed on the right hand side, export duties on the left hand side.

Duties are analyzed daily. The figures are taken from the Daily Statement (Form No. 14, Appendix A).

9. Revenue Analysis Book: Government Material

This book is similar to the Revenue Analysis Book mentioned in the previous paragraph, but it is used for the analysis of revenue from Government imported materials.

It has the same form, with the exception of the columns for permits, Finance Tax and Fines which do not appear on this book.

10. Inland Shipments Book: "Daftar El-Raftiyat"

This book contains no accounting figures. It is used to record details of inland shipments and consignments. Outward inland consignments are similarly recorded on this book.

A daily analysis statement is then prepared and forwarded

IV. Day Book Department

A. Analysis of Revenue

The main work of this Department lies in the recording and analysis of the Customs Revenue.

The Visitors Books are collected daily and the information therein posted on the Day Book. The information is further summarized at the end of the day under the following headings:

B. Summary 1. Ad valorem Duties

2. Specific Duties

3. Takhrijiah 2 %

4. Palestine 2 %

5. Schools 1 %

6. Capital (per ton)

7. Municipality 6 %

8. Quay (Rassif) 3 %

9. Ground Dues

10. Differences

11. License

12. Double Fees

13. Finance Tax

14. Portorage

15. Papers of Value

16. Fines

17. Lead Seals

18. Numbering

A daily analysis statement is then prepared and forwarded

to the District Accounts Department where it is posted on the Revenue Analysis Books already described.

The Day Book is signed by the Day Book Clerk, the Cashier, the District Accountant, and the Director of Customs.

A daily reconciliation is made between the Cashier and Day Book Clerk. The total of the Day Book should agree with the total of the Cash Book.

B. Samples

Samples, being exempt from duty are recorded on Special Visitors Books, and copied on an Exemption Book. No values appear on this book.

At the end of the month a statement is made embodying the details in this book. It is sent to the District Accountant.

C. Imports of Diplomatic and Consular Services

No Customs duties are collected on such goods and no values are noted down. However, a Day Book is kept to record the details of such imports. A monthly statement is prepared and sent to the District Accountant.

As regards alcoholic liquors, permits are issued by the Ministry of Finance to whom the liquor tax is paid. Details are, however, recorded in the Day Book from the Visitors Book. A weekly general statement, and a statement for each diplomatic or consular body are prepared and sent to the District Accountant. Details include kind of liquor, boxes, bottles, steamer, exporter, permit number and date.

D. Registration of Errors

The Visitors Books are checked by a special department, and the errors transmitted to a clerk housed in the Day Book Department, who posts them on a Discrepancies Book in which a page is allocated for each merchant. These amounts are then posted on special Visitors Books and forwarded to the Cashier for collection from the merchants concerned.

E. Books and Forms in Use

1. The Day Book: "Daftar El-Yawmiyat" Refer to Form No. 13, Appendix A

The information contained in the Visitors Books is copied to this Day Book. This includes voucher references, weight, class, value, analysis of duty paid and total duty.

This book is totaled daily, and the totals are brought forward to the next day until the end of the month.

Each day the transactions are summarized under the different subheadings of revenue and the summary recorded after the last transaction of the day.

2. The Daily Statement: "Albayan Al-Yawmi" Refer to Form No. 14, Appendix A

This statement is prepared from the summary of daily transactions as shown in the Day Book. It shows the total of each category of revenue. The grand total should agree with the total daily revenue. It is transmitted to the District Accountant to be posted on the Analysis Books.

No printed form is used. The figures are clustered on a large sheet of lined paper.

3. The Exemption Book: "Daftar Al-Mo'fat"

This book is used to record particulars of samples Register kept by this department. The clerk in charge lists exempt from Customs duty. The information is copied from a special Visitors Book.

4. Diplomatic and Consular Services Book: "Daftar El-Safarat and Moufawathiyat"

A day book is kept to record details of goods imported by the Diplomatic and Consular Services. No amounts appear on this book.

5. Discrepancies Ledger: "Daftar Al-Fouroukat"

Statements of errors found in the Visitors Books are posted to a Discrepancies Ledger where a page is kept for each merchant.

6. Total Discrepancies Book: "Daftar Majmoo' El-Fouroukat"

This book shows on the right hand side the total amount of each statement of errors received from the Checking Department, and the grand total.

On the left hand side are shown collections as obtained from the Visitors Books and the monthly balance outstanding.

V. Government Imported Materials Department
"Kism Tarsimat Al-Hokoomah"

A. Procedure Followed

Advice is sent by the Ministry of Finance to this Department regarding the goods imported for use of the Government

or the Royal Family. These are recorded on Special Visitors Books and follow the same routine as commercial goods. The information is copied from the Visitors Books and the Daily Register kept by this Department. The clerk in charge then issues an order to the Cashier together with a copy of the letter received from the Ministry of Finance, which are accepted by the Cashier in settlement of duty. It is to be noted that the Cashier issues a regular receipt voucher and the transaction is treated as a cash receipt.

B. Books and Forms

1. Daily Register

1. General Notes This is used to record details of Customs duty on materials imported by the Government and the Royal Family.

The information is obtained from the Visitors Books.

A separate Register is kept for goods imported by Michael Baker, Jr., Public Works Department.

This book is totaled daily. At the end of the month three copies are prepared and sent to the Ministry of Finance and the Directorate of Customs at Mecca.

This system is being satisfactorily used by a number of important institutions and firms in this country. Under this system, it is possible to ascertain the daily cash balance and agree the book balance with a physical cash taking. The foundation lies in the principle that every fictitious cash receipt must be counterbalanced by an opposite fictitious cash payment and vice versa, thus leaving the proper debit and credit accounts on the cash book without disturbing the

PART II: EVALUATION AND CRITICISMS

We explained in Part I of this report the accounts procedure followed by Jeddah Customs. This section is devoted to an evaluation of the system and to criticisms. These are discussed under the two headings:

I. General Remarks

II. Specific Remarks

I. General Remarks

A. An incomplete cash system

A Cash Accounting system, characterized by the sole use of a Cash Book to record all types of cash and credit transactions without recourse to a Journal, despite its shortcomings, is not to be condemned where the accounting methods are not well developed and the personnel are not versed with the principles of double entry and organized accounts.

This system is being satisfactorily used by a number of important institutions and firms in this country. Under this system, it is possible to ascertain the daily cash balance and agree the book balance with a physical cash taking. Its foundations lie in the principle that every fictitious cash receipt must be counterbalanced by an opposite fictitious cash payment and vice versa, thus leaving the proper debit and credit accounts on the cash book without disturbing the

- C. true cash balance. If this cardinal principle is violated, the system falls to pieces.

In the case of Jeddah Customs, this principle is being violated. Two important items of revenue in the form of Notes Receivable and Letters of Credit are entered among the Cash Receipts but no corresponding clearance is made on the Credit side. Actual cash received when Notes Receivable are settled is not recorded in the Cash Book or Book of Temporary Transactions. There are also other irregularities.

The result is that neither the Cash Book nor the Book of Temporary Transactions shows the true cash balance and it is not possible to control the cash operations.

- D. Complications in the Different Methods Allowed in Payment of Duty

To the best of my knowledge, the payment of Customs duty of cash and the responsibility for the daily cash balance is in most countries restricted to cash or legal tender currency.

In Jeddah Customs, the Cashier is overburdened with Sometimes bank transfers are allowed.

In Jeddah Customs, six types of settlement are allowed: Cash, Notes Receivable, Bank Receipts, Ministry Orders, Letters of Credit issued by the Ministry of Finance, and Orders for Government imported materials.

- E. Duplicate Books and Numerous Signatures

These methods render the Cashier's work more difficult, the accounting more complicated and control less effective. Where the system of accounting is not well organized, this state of affairs presents loopholes and opportunities for improper manipulations and errors.

By keeping the offices waiting until all records and signatures are completed, time and efficiency are wasted.

C. No Differentiations between Cash and Non-Cash Receipts

In Jeddah Customs, all revenue whether in the form of Cash, notes or orders is treated as cash revenue. Even duties calculated on Government imported materials are entered as cash receipts.

I fail to understand the reasons for this procedure which is not in accordance with recognized principles and actual facts.

If the purpose is to combine the daily revenue in one book, and to control the Visitors Books, this can be easily achieved by other sound and organized methods of accounting.

D. A Great Burden is laid on the Cashier

A Cashier's job is restricted to the receipt and payment of cash and the accountability for the daily cash balance.

In Jeddah Customs, the Cashier is overburdened with accounting work, signatures, safe deposit and custody of promissory notes and documents of value. His safe looks like a storeroom of documents and papers, some of which are many years old.

E. Duplicate Books and Numerous Signatures

The old conception of control characterizing governmental accounting systems and procedures in the Near East in keeping duplicate books, and requiring numerous signatures on documents, is becoming rather obsolete and inefficient. This procedure takes more time, and involves more bookkeeping work.

By keeping the citizen waiting until all records and signatures are completed, time and efficiency are wasted.

D. Registration of Errors

The Visitors Books are checked by a special department, and the errors transmitted to a clerk housed in the Day Book Department, who posts them on a Discrepancies Book in which a page is allocated for each merchant. These amounts are then posted on special Visitors Books and forwarded to the Cashier for collection from the merchants concerned.

E. Books and Forms in Use

1. The Day Book: "Daftar El-Yawaiyat" Refer to Form No. 13, Appendix A

The information contained in the Visitors Books is copied to this Day Book. This includes voucher references, weight, class, value, analysis of duty paid and total duty.

This book is totaled daily, and the totals are brought forward to the next day until the end of the month.

Each day the transactions are summarized under the different subheadings of revenue and the summary recorded after the last transaction of the day.

2. The Daily Statement: "Albayan Al-Yawmi" Refer to Form No. 14, Appendix A

This statement is prepared from the summary of daily transactions as shown in the Day Book. It shows the total of each category of revenue. The grand total should agree with the total daily revenue. It is transmitted to the District Accountant to be posted on the Analysis Books.

of Finance. These are not recorded as payments.

Some of these payments are over a year old.

- C. Actual cash received in some instances does not appear among the receipts

This irregularity is inherent in the system itself.

When a promissory note is given by the merchant, it is treated as a cash receipt. But, when the merchant pays his promissory note in cash at the due date, no entry is

made in the Cash Book or Temporary Book as otherwise the same receipt would be recorded twice. This also disturbs

the cash balance and complicates the cash position.

- D. Deposits and Banderole Receipts

Separate books are kept to record cash receipts for deposits and sales of stamps. The actual cash is, however,

physically dumped with the general cash. This makes the control of the cash balance more difficult.

- E. Opportunity for Misappropriation of cash

Owing to the irregularities described in the previous paragraphs, there is no proper record to show the actual cash balance on hand.

This state of affairs gives the Cashier a wide opportunity to misappropriate the cash. With collusion between the Cashier and the Accountant, large defalcations of cash

can be made and remain undiscovered for an indefinite period until proper control is made.

I have discussed this situation with the Cashier and he has honestly admitted that if he wanted to misappropriate

cash, he could easily do that.

It is true that the daily cash balance can be ascertained by calculation and by taking an inventory of the safe. This is, however, a tedious job which requires a lot of time and effort, and looks quite impractical. I was told that some kind of cash taking was made about six months ago, but that no effective one has been made for years.

F. Irregularity of Letters of Credit and Credit Notes

In my opinion, the practice followed by the Ministry of Finance of issuing orders or Letters of Credit in favor of merchants to be utilized in the payment of Customs duty is quite irregular.

The Cashier makes no record of part utilizations of credits except as an endorsement at the back of the Letter of Credit. The transaction is recorded and submitted to the Ministry of Finance only when the whole credit is exhausted. This may last months or years. In one instance I observed that a merchant was given a credit of SR350,000 out of which only SR197,067 were used over a considerable period. The only records made for the SR197,067 were endorsements at the back of the letter.

Such a procedure throws an extra burden of work on the Cashier. It renders the transaction open to manipulation and abuse.

G. Outstanding temporary payments

The Cashier has in his safe temporary payments unrecorded on the books extending in some cases to periods exceeding one year. These are considerable in amount.

Temporary payments, when allowed in exceptional circumstances, should not extend beyond a month before being cleared. They complicate the cash situation, and in the case of Jiddah Customs, if the vouchers are lost, or the Cashier chooses to destroy them, this would escape notice and detection.

H. Checking of Visitors Books untimely

At present, the Visitors Books are checked only after the transaction is completed and the goods cleared out of Customs. Errors are thus discovered after the merchant has priced and perhaps disposed of his goods.

The number of errors found and the appointment of a special clerk just to record these errors show that those making the calculations are weak or careless or both. It is an acknowledgment that these errors cannot be avoided. Why should this be the case? Casual infrequent errors may take place, but continuous errors should not be tolerated.

I. Duty on Government imported materials is not ordinary revenue

Even if as a matter of policy duty is calculated on Government imported materials, I cannot see the reasons for including such duty among the cash receipts.

A separate record can be made of such imported materials and the charges allocated by transfer entries in the books

Government Imported Materials and other books, are prepared of the Ministry of Finance.

J. The arrangement of the Day Book does not facilitate analysis of figures.

When explaining the books kept by the Day Book Department,

This involves a lot of extra labor and is really a waste of time. I mentioned that the Visitors Books are copied on a duplicate of work. The data is summarized for analysis and reconciliation purposes.

The use of a report book with columns for

Referring to the arrangement of this book (Appendix A, Form No. 13), I find that the duty figures are written in the Explanation Column in the same way as they appear on the Visitors Book. In preparing the summary, the data has to be rearranged under the appropriate headings. This takes a great deal of time daily.

This can be avoided by the use of a Columnar Day Book suitably lined.

K. Duplicate Books, numerous signatures, duplicate records could be dispensed with

There are a number of instances where duplicate books are kept. The Cashier keeps a Notes Receivable Book and a Deposits Book, similar to those kept by the District Accountant.

The details on the Visitors Books are copied word for word to books kept by the Day Book Department and the Government Imported Materials Department. There is more than one book for the analysis of revenue. Moreover, at the end of each month exact copies of the Bank Book, the Book of Temporary Transactions, the Exemption Book, the Book for Embassies and Consulates, the Register for

Government imported materials and other books, are prepared and forwarded to the Area Accounts Department or Ministry of Finance.

This involves a lot of extra labor and is really a duplication of work. Duplicate Books should be cancelled in most instances. Summaries may be substituted for exact copies. The use of Import Declarations with multiple copies to replace the Visitors Books would help to convey the required information to the Departments concerned without recourse to the preparation of exact copies at the end of the month.

Similarly, it is not necessary for the Director of Customs to sign each document.

with the general accounting system of the United Kingdom and that of the Ministry of Finance, my recommendations are designed to correct the existing defects in accordance with generally accepted and organized principles and procedures, without in any way disturbing that link or relation.

These recommendations deal only with essential alterations and changes designed to provide a clear and organized record for cash and credit transactions, to permit verification and control and to minimize the opportunities for errors and improper manipulation.

I. The Separation of Cash Receipts from Other Kinds of Receipts

The present system of recording cash receipts and other receipts in the Cash Book should be discontinued immediately.

The use of the Cash Book should be confined to actual cash receipts only. The Cash Book should show the daily cash balance on hand.

Non-cash receipts should be entered on a separate ledger.

II. PART III: RECOMMENDATIONS AND REMEDIES

The Cash Book and the Book of Receipts

As a result of my study of the Accounts system and procedure of Jeddah Customs, and in the light of the remarks and criticisms set forth in Part II of this report, I take pleasure in submitting the following recommendations which in my opinion will provide an immediate remedy to the unhealthy situation which exists at the present time.

As the Jeddah District Accounts form part and are linked up with the general accounting system of the Hadjaz Customs Area and that of the Ministry of Finance, my recommendations are designed to correct the existing defects in accordance with generally accepted and organized principles and procedures, without in any way disturbing that link or relation.

These recommendations deal only with essential alterations and changes designed to provide a clear and organized record for cash and credit transactions, to permit verification and control, and to minimize the opportunities for errors and improper manipulations.

Cash Receipts Book (refer to Form No. 2, Appendix B)

I. The Separation of Cash Receipts from Other Kinds of Receipts

The present system of recording cash receipts and non-cash receipts in the Cash Book should be discontinued immediately.

The use of the Cash Book should be confined to actual cash receipts only. The Cash Book should show the daily cash balance on hand.

Non-cash receipts should be entered on a separate register.

II. The Adoption of a New Procedure to Record Cash Receipts

The Cash Book and the Book of Temporary Transactions (Appendix A, Forms 2 and 1) are to be discontinued. The following procedure is to be adopted:

- A. Where payment is to be made in cash, the Visitors Book should be endorsed with the word "Cash", by the use of a rubber stamp.
- B. A receipt voucher is to be prepared in the same way as before, except that two copies are to be made (one to be given to the merchant and the duplicate to be passed to the Cash/Clerk for entry on the Cash Book). The Cash Receipts Clerk should be housed in the same room occupied by the Cashier.
- C. The Cashier receives the money, signs the receipt and hands it over to the merchant. It is not necessary for the receipt to be signed by the Director of Customs, etc.
- D. The Cashier posts the receipt on the Return of Daily Cash Receipts (refer to new Form No. 1, Appendix B).
- E. The Cash Book Clerk posts the duplicate receipt on the Cash Receipts Book (refer to Form No. 2, Appendix B) under the appropriate column.
- F. Receipts of cash not arising out of duty payments such as deposits, Banderole Receipts, Notes Receivable, and

sundries, would be treated in the same way as duty receipts but would be posted to their appropriate columns in the Cash Book.

- G. At the end of the day, the Cashier totals the Return of Daily Cash Receipts and reconciles it with the total receipts shown on the Cash Book. By deducting the payments at the bottom of the return, he obtains his daily cash balance on hand which should be verified with an actual count.
- H. The Cashier then submits the original copy of the Return of Daily Cash Receipts with supporting vouchers to the District Accountant for checking and control purposes. He keeps one copy in his book.
- I. The Cash Book Clerk also totals his Cash Book daily and prepares the Cash Summary shown on the left hand lower side of the Cash Book. The balance should agree with the Cashier's Daily Cash Return.
- J. The different totals for receipts on account of Deposits, Notes Receivable, Banderole and Sundries should then be reconciled and agreed with their respective ledgers, now kept by the District Accountant. This reconciliation is to be made on the proper form which I have designed (refer to Form No. 8, Appendix B).

III. A New System for Recording Cash Payments

The following procedure is recommended for cash payments.

- A. All payments should first be recorded on a Cash Payment Voucher to be duly authorized. Even payments of cash to

the Bank should be covered by a Payment Voucher. These Vouchers are to be numbered serially. Cash Payment Vouchers are to be prepared by a clerk other than the Cashier.

- B. After securing the receiver's signature, the Cashier posts the transaction on the Return of Daily Cash Payments (refer to Form No. 3, Appendix B).
- C. A copy of the Cash Payment Voucher is to be passed to the Cash Book Clerk for entry on the Cash Payments Book (refer to Form No. 4, Appendix B).
- D. At the end of the day the Cashier adds his Return of Daily Cash Payments and forwards a copy of this return to the District Accountant together with the supporting vouchers.
- E. The Cash Book Clerk also adds the Cash Payments Book daily. It is checked and reconciled with the Return of Cash Payments received from the Cashier.
- F. The Cash Payments Book is provided with columns for the different types of payments. These should be reconciled daily with the appropriate books and ledgers kept by the District Accountant by using the Daily Reconciliation Sheet.

IV. New Procedure for Recording Non-Cash Duty Revenue

Customs duty settled in a manner other than the payment of cash is to be treated as follows:

- A. The Visitors Book is to be endorsed with the word "Credit" by the use of a rubber stamp.
- B. A special receipt is to be issued to the merchant: Receipt for Customs Revenue other than Cash (refer to Form No. 5,

Appendix B). A copy is to be sent to the clerk keeping the Book of Daily Revenue. This receipt acts as the merchant's authority to clear his goods in the same way as a Cash Receipt where cash is paid. It should be countersigned

VI. Treatment of Government Imported Materials

by the District Accountant.

C. The clerk or Cashier posts this receipt to the Return of Daily Revenue Other than Cash (refer to Form No. 6, Appendix B). This return is totalled daily and the original is transmitted to the District Accountant.

D. The Book of Daily Revenue (refer to Form No. 7, Appendix B)

VII. Bank Book to be kept by the Cash Book Clerk, should be filled in from the Duplicate Receipts. This can be checked next day with the Cashier's Return of Daily Revenue Other than Cash. This book has special columns for the different kinds of settlement such as promissory notes, Ministry Orders, Government goods, etc. It is also provided with a column for Cash Revenue. The total of this item is obtained from the Cash Book. In this manner, the Total Column will show the

VIII. Letters of Credit and Credit Orders to be Discontinued

total daily revenue including cash revenue.

E. The different totals appearing at the bottom of each column of the Book of Daily Revenue should be reconciled with the corresponding ledgers kept by the District Accountant. Thus the total of the Bank Column should agree with the Bank Book, that of the Notes Receivable Column with the debit side of the Notes Receivable Book, and so on. The Grand Total would be reconciled with the Day Book, Analysis Books and the Daily Reconciliation Sheet.

V. The Treatment of Notes Receivable

The Notes Receivable Book kept by the Cashier is to be discontinued. That kept by the District Accountant is sufficient.

VI. Treatment of Government Imported Materials

Although this Department needs reorganization, I believe the issue is not urgent. Transactions may be recorded as before, but no cash receipt is to be issued. They are to be treated as Non-Cash Revenue as explained in paragraph No. IV supra.

VII. Banderole Receipts

These are to be treated as ordinary Cash Receipts. It is not necessary to make special receipt vouchers for stamp sales. They are posted to the appropriate column in the Cash Book. Any reports required by the Ministry of Finance can be extracted from the Cash Book. The Books now kept are not essential. All that is required is a simple ledger for the recording of receipts, sales and stock on hand.

VIII. Letters of Credit and Credit Orders to be Discontinued

As explained in Part II of this report, the practice of issuing letters of credit entitling merchants to utilize such credit in the payment of duty is to be discontinued. The complications and dangers of this procedure have already been exposed.

The means of payment should be simple and fixed. If the merchant is a creditor of the Government, there are other

methods for repayment.

IX. Notes Receivable to be Gradually Discouraged

In my opinion, notes receivable should not be allowed as a means for the payment of duty. They involve unnecessary accounting work, risk and suspense.

The Customs Department is not a credit agency. The financing of imports is a job that rests with the banks who are in a better position to perform this service against a reasonable commission as is the usual practice in other parts of the world.

If, however, policy and custom have been responsible for the introduction of such a procedure in the past, I recommend that steps be taken to discourage this practice gradually in order to eliminate it in the near future.

X. Temporary Payments to be Cleared

In Part II of this report it was pointed out that the cash safe contained a number of vouchers representing temporary payments still unrecorded on the books. In addition to the irregularity of such payments which have been outstanding for a long time, the danger of loss or willful destruction makes it imperative to make an official list of such payments and to clear them once for all.

XI. A Pre-Audit of the Visitors Book to be Made

The procedure of checking the Visitors Books after the goods are cleared makes it difficult and often unfair to follow up the merchant after he has taken delivery or perhaps sold the goods.

To be effective, the checking is to be made before the goods are cleared. Unfortunately, this is not possible where a single

Visitors Books are presented to the Cashier for Payment. There is no excuse for repeated errors. There is no need for having a Discrepancies Book and a special clerk for keeping it. The errors should be found and corrected on the spot before the transaction is completed. This provides accurate control.

XII. The Form of Day Book to be Amended

I mentioned in Part II of this report, item II-J, that the form of Day Book into which the Visitors Books are copied is not suitable for analysis and summary purposes.

I recommend that a Columnar Day Book be introduced, with separate columns for the different headings and subheadings of revenue. The data would be posted directly to the appropriate columns. When totalled at the end of the day, the columns automatically give a summary and an analysis without recourse to rearrangement and analysis. This saves time and effort.

XIII. Copies and Duplications to be Reduced. Amendment of Visitors Book

I pointed out in Part II of this report, item II-K, that the duplications now made could be dispensed with.

This can be achieved by substituting the bound Visitors Books now in use with Import Declarations which can be prepared in several copies and distributed to the Departments concerned.

XIV. The Daily Reconciliation

One of the essential features of a good accounting system is the provision for a trial balance to be prepared in order to detect errors of posting or entry on the different books or accounts. Unfortunately, this is not possible where a single

entry or cash system is in use as is the case with the Customs Accounts.

To meet this handicap, I have devised a single daily reconciliation statement, a specimen of which is attached to this report in Appendix B, Form No. 8. This provides accurate control over the main books of original entry, namely the Cash Books and the Day Books, and the different subsidiary ledgers. Each day the Inspector or District Accountant goes around and obtains the daily debit and credit totals from each ledger or journal bookkeeper. He obtains their signatures opposite the respective figures on the Reconciliation Statement. This insures that the books are kept up-to-date and serves to localize and allocate the responsibility for errors. After filling in the totals of the Cash Books and Day Books, the total debits and total credits at the bottom of the Reconciliation Sheet should agree. If they do not agree, then there is an error which can be easily localized and corrected.

In fact, this Reconciliation Sheet converts the single entry records to a daily double entry trial balance. This is perhaps an innovation in Customs Accounting procedures. However, it is easy to understand, simple to prepare, extremely valuable and essential for purposes of control. It has the advantages of double entry accounting.

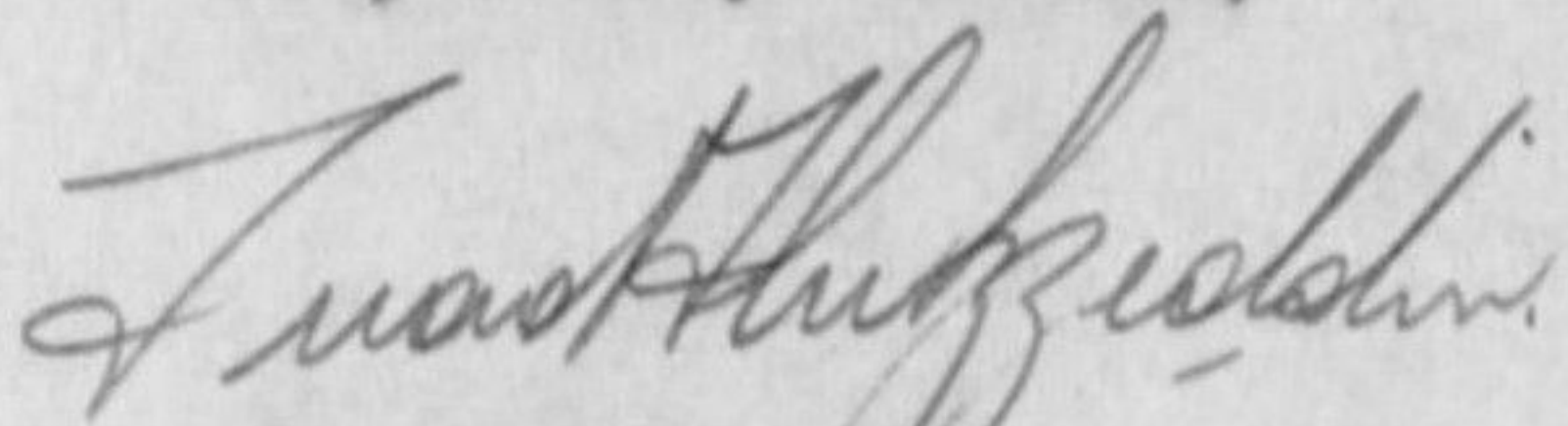
XV. Conclusion

Finally, I feel it is my professional duty to give to those concerned a danger signal about the unhealthy and serious

situation prevailing with the Customs Accounts which calls for urgent treatment.

The recommendations embodied in this report, taking into account the present circumstances and state of affairs, provide, to the best of my knowledge, a comprehensive diagnosis and an immediate remedy.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Fuad Abu-Izzeddin', written in a cursive style.

Fuad Abu-Izzeddin
Certified Accountant

MEMORANDUM OF CONFERENCE:

2. The Conference.

Mr. Dunaway ~~xxxxxx~~ made an opening remark of appology for not being able, because of his new responsibilities as Acting U.S. Contry Director of T.C.A in Saudi Arabia, to meet with the Customs Committee for the last few months to follow up the recommendations on customs reform and work on a new set of regulations. He nevertheless was following developments through Mr. Kennedy's constant contact and meetings with them.

Mr. Dunaway asked about the status of the draft form of the Bill of Entry which ~~he and the Committee had worked on so~~ laboriously some months ago, ~~by the Customs Committee~~ and which had been submitted to the Ministry of Finance for approval and printing. The answer was that the form was still in the hands of the Ministry of Finance; ~~and~~ that Customs had sent several letters requesting them to hurry up the printing; and that that was all they could do. ~~xxxxxxx~~ Mr. Dunaway inquired whether it was proper for him, and whether it would be satisfactory with them, ~~xxx~~ to raise this question with the Deputy Minister of Finance or the Assistant Deputy Minister of Finance on his next visit to them. The answer was in the affirmative.

Shaikh Moh'd. Nur introduced the draft regulations prepared by the Committee. He said that as it is now it represents an amended form ~~xxx~~ of the regulations drafted and presented for approval over two years ago. The amendments have taken into consideration the ~~Rxx~~ Tariff Ordinance of 1372, the reports submitted by Mr. Dunaway, the agreements reached in the conferences held with the American Experts, and new developments, ~~xxxxxxxxxxxx~~ incidents and problems that have arisen in their practical experience in dealing with customs. The director General stressed on the

urgency to publish this document because the Higher Authorities have been holding the publication of the Customs Ordinance until the regulations were ready to be published and issued together. Because of that urgency, he expressed the intention of customs to go ahead in the publication of the regulations and to put them into effect as soon as possible. X In the meantime, and when the Ordinance and Regulations are translated into English, the American Experts can ^{to customs} ^{them} ~~present~~ present/their recommendations for amending/both ~~xxxxxx~~ ~~xx~~ which they shall consider. If, at that time, ~~any~~ any amendment is deemed necessary either to the Ordinance or Regulations, it shall be presented to the authorities concerned for issuance.

August 23, 1952

TO: Arthur N. Young
FROM: John A. Dunaway, Customs Advisor
SUBJECT: Monthly Operations Report

I submitted on August 6 a draft of a proposed Customs Regulation to permit the examination of and collection of duty on baggage of passengers arriving by sea and air at the time and place of arrival. This was submitted to the Saudi Government Liaison Officer but due to the lack of adequate translating staff, the proposed regulation has not as yet reached the Ministry of Finance.

I also have ready for submission a report on the operations of the company in charge of cargo handling at the Port of Jidda calling attention to deficiencies in methods of tallying, recording and reporting packages of merchandise. This report has been withheld due to congestion of work in the translating section.

I am working on an analysis of the schedule of charges collected by the Port Authority. This report will be ready for submission in the near future.

There has been no indication of further consideration by the Ministry of Finance of the recommendations made in the Preliminary Report of May 26. Such consideration is not expected until the report of the Tariff Advisor has reached the Ministry of Finance, since the proposed Tariff Act carries the administrative provisions implementing the recommendations of my report on procedure, multiple taxation, etc.

In addition to the retarding effect of inadequate translation, the present pilgrim season has so occupied the time of the Customs staff that attempts to confer on various problems connected with Customs administration have been fruitless.

JAD
John A. Dunaway

CONFIDENTIAL

July 25, 1952

CUSTOMS ADMINISTRATION
Progress Report for July, 1952

Mr. Isildars, the expert accountant, has finished his study of the preliminary report, dated May 28, 1952 making certain recommendations, mostly of a procedural nature was the subject of a conference with the Minister of Finance in Riyadh from July 16 to 18 inclusive. Dr. Young, Mr. Kennedy and I took part in the conference while the Director General of Customs and the Secretary to the Minister represented the Minister. While most of the important recommendations were accepted in principle by the Government representatives, before implementation these must all be approved by a council of higher authorities, probably including H.R.H. the Crown Prince.

In any case, such of the recommendations as are finally approved will need new regulations, orders and instructions, except the recommendations which have been incorporated in the administrative section of the tariff law which Mr. Kennedy has drafted with my advice and assistance.

As promised in the preliminary report, I have drafted a proposal for the organization of a central customs administration which will be submitted when the translation is complete.

On return from Riyadh, I found that none of the promised improvements in procedure had been made by the Jidda Port Authority, hence I have prepared a report with definite recommendations for improvement. If these meet with approval a considerable handicap to customs and consignees should be removed.

Mr. Izzidene, the expert accountant, has finished his study of the customs accounting system. His findings confirm my views as to the inadequacy of the accounts. Unfortunately since Mr. Izzidene has so many irons in the fire in connection with his regular official and private work, the organization of the Monetary Agency and the Commercial School, it may take him several months to design and install the new system.

JAD
John A. Dunaway
Customs Advisor

July 24, 1952

REPORT FOR QUARTER ENDING JUNE 30, 1952

CUSTOMS ADMINISTRATION

During the quarter the Customs Advisor, in cooperation with Mr. Kennedy, continued the study of the operations of the Port of Jidda. In the course of the study almost daily conferences were held with the Director of the Hejaz Customs District and the senior officials of the Port and with Hilmy Bey, the Egyptian customs expert.

As a result of this study a preliminary report was prepared and submitted on May 18 in which several specific recommendations were made, for the most part toward simplification of procedure, improvement in method of valuation, the removal of certain discriminatory practices and for the reorganization of the present inadequate accounting system. There were also recommendations for elimination of multiple tax rates, excessive use of revenue stamps and of credits which are being advanced to merchants by delivery of goods on the undertaking to pay duties at some future time.

The study also included the operations of the private company operating the new Jidda pier with particular attention to the defects in checking and recording cargoes.

In the quarter under review I also cooperated with Mr. Kennedy in drafting a new tariff law in which many of the proposed procedural changes will be incorporated.

Due to insufficient translating staff the preliminary report of May 28 was not ready for submission to the Government at the end of the quarter.

J A O
John A. Dunaway
Customs Advisor

June 25, 1952

CUSTOMS ADMINISTRATION: Report for the period April 7
to June 25, 1952

During the period under review I continued to study the routine operations of the Port of Jidda, particularly those having to do with imports. While the study was largely of procedure involved in clearing import goods through customs, it necessarily involved attention to collateral services such as accounting, warehousing, inspection, assessment and control.

In the absence of a staff member in accounting, it was suggested to the Ministry of Finance that an expert accountant now in the employ of the Government be assigned to devise and install an adequate accounting system for the whole customs service. The suggestion was favorably acted upon and Mr. Fuad Izzadin, who is on leave of absence as head of the accounting department of the American University of Beirut, has undertaken this work. I have conferred with him on the sort of accounting system which will meet the requirements. When the new system is ready for use I anticipate that the aid of accountants will be necessary to install it and train the staff in its use, at least in the major ports.

In the early part of May a conference was held with H.E. the Minister of Finance who urged the early submission of some sort of report on customs administration as well as on the tariff. He intimated that considerable pressure was being exerted on him for improvement in customs and he considered it advisable to have such suggestions as the study justified, even though incomplete. He likewise asked consideration be given to the matter of a free port or free trade zone. In regard to the latter suggestion, I outlined briefly the operations of a free port and the circumstances necessary for its success and suggested further that, so far as I understood the physical layout of the principal ports and the pattern of trade in this part of the world, I doubted a free port would bring the benefits he seemed to expect but that I would look into the matter more fully as opportunity afforded.

Acting on the Minister's request, a preliminary report was prepared under date of May 28. However, as of today's date this report has not been submitted to the SAG due to the slowness in translation. It should be borne in mind that translation from English into Arabic, and vice versa, offers considerable difficulty, particularly when the subject matter is of a technical nature.

The preliminary report is concerned mainly with customs procedure and formalities but it covers certain features of tax legislation which affect administration, especially multiple taxation and the excessive use of revenue stamps. It likewise touches upon the unsatisfactory method of valuation, and handling, storing and recording of import goods.

Since completing the preliminary report I have spent considerable time aiding the translators, especially in their understanding of the meaning of the English, in conferring with Mr. Kennedy on tariff matters and in preparing a report on the organization of a national customs service. This latter report should be ready for submission within a month.

John A. Dunaway
John A. Dunaway
Customs Advisor

*File
Customs*

FINANCE
CUSTOMS "Preliminary Report on Customs Administration"

Jidda, Saudi Arabia

June 12, 1952.

MEMORANDUM TO: Mr. Sadek Bey Hussein

FROM: Dr. Samuel S. Stratton

RE: Attached letter to His Excellency
Shaikh Abdullah Sulaiman and report,
"Preliminary Report on Customs
Administration"

I enclose for your transmittal to the Saudi Arabian
Government a "Preliminary Report on Customs Administration."

Samuel S. Stratton
U. S. Director of Technical
Cooperation in Saudi Arabia

Jidda, Saudi Arabia

June 12, 1952.

Your Excellency:

The enclosed report has been prepared by our Customs Advisor, Mr. John A. Dunaway, under the general direction of Dr. Arthur N. Young, Chief of the Finance Mission of Point 4. I have the honor to submit it to Your Excellency with my general approval.

Accept, Excellency, the renewed assurances of my most distinguished consideration.

Very truly yours,

Samuel S. Stratton
U. S. Director of Technical
Cooperation in Saudi Arabia

His Excellency
Shaikh Abdullah Sulaiman,
Minister of Finance of the
Kingdom of Saudi Arabia,
Jidda

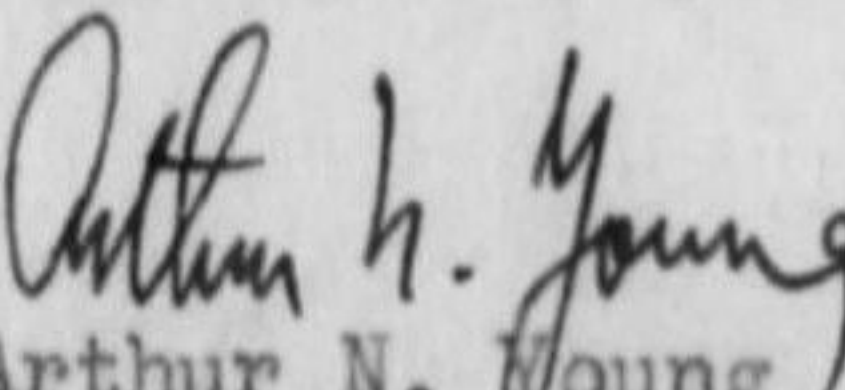
Jidda
May 28, 1952

His Excellency Shaikh Abdullah Sulaiman
Minister of Finance
Riyadh

Your Excellency:

As desired by Your Excellency, Mr. Dunaway is submitting to you a preliminary report on customs administration. Mr. Dunaway, with the help of Mr. Kennedy, has carefully studied the problems. I fully support his recommendations, and believe that early action by the Government to place them in effect is desirable because it will simplify the work of the officials and the importers, improve fiscal control and in general permit the progress of Saudi Arabia's foreign trade.

Respectfully yours


Arthur N. Young
Financial Advisor

Jidda
May 28, 1952

His Excellency Shaikh Abdullah Sulaiman
Minister of Finance of the Kingdom of Saudi Arabia
Jidda

Your Excellency:

I have the honor to submit herewith a Preliminary Report on Customs Administration. The studies on which this report is based have been made at Your Excellency's request and under the general guidance of the Financial Advisor, Mr. Arthur N. Young.

This report covers certain phases of administration and procedure relating to the importation of goods at the Port of Jidda, and some features of tax legislation which directly affect tariff administration. The report is based on study and observation of the routine operations and examination of some of the more important documents. It is not concerned with other phases of administration connected with coast-wise shipping, exports, air-freight, parcel post, statistics, transit traffic, transshipments, and free trade zones. All of these subjects will be considered in subsequent reports. However, the most fundamentally important problem for future consideration is that of the organization and functioning of a national customs administration. I propose to direct my attention to this problem in the immediate future.

I have the honor to be, Your Excellency,

Very truly yours,

John A. Dunaway
John A. Dunaway
Customs Advisor

CONTENTS

CUSTOMS ADMINISTRATION

A Preliminary Report To	
Endorsement of Financial Adviser	1
Letter of Transmittal	1
His Excellency Sheikh Abdullah Sulaiman	
Minister of Finance of the	
I. Present Customs	1
Kingdom of Saudi Arabia	
II. Proposed Procedure	5
A. Bill of Entry and Declaration	5
B. Procedure Using Bill of Entry	5
C. Customs Clearance	6
By	
III. Functions of Department under	
proposed procedure	8
A. The Director	8
B. Department of Control and Inspection	9
C. Assessing Department	10
(1) Valuation	10
(2) Dependent	13
(3) Exchange rates	13
(4) Discounts	13
D. Verification and Statistical Department	14
(1) Verification	14
(2) Refunds	15
(3) Statistics	15
E. Manifest Department	15
F. Accounting Department	15

Technical Cooperation Administration
Jidda, Saudi Arabia
May 28, 1952

C O N T E N T S

	<u>Page</u>
Endorsement of Financial Advisor	17
Letter of Transmittal	18
INTRODUCTION	1
I. Present Customs Procedure.....	1
II. Proposed Procedure	5
A. Bill of Entry and Declaration	5
B. Procedure Using Bill of Entry	6
C. Customs Clearers	8
III. Functions of Department under proposed procedure	8
A. The Director	9
B. Department of Control and Inspection	9
C. Assessing Department	10
(1) Valuation	10
(2) Dependable Import Values	13
(3) Exchange rates	13
(4) Discounts	13
D. Verification and Statistical Department	14
(1) Verification	14
(2) Refunds	15
(3) Statistics	15
E. Manifest Department	15
F. Accounting Department	15

PRELIMINARY REPORT ON
CUSTOMS ADMINISTRATION

INTRODUCTION

In considering the administration of the tariff with a view to possible improvement, certain basic assumptions have been kept in mind as a guide and criterion. It is assumed that the policy of the Government is and will be expressed in the tariff law. Certainly the Government is not to be bound by the tariff law in its administration. It is assumed that the tariff law is to be interpreted in the light of the policy of the Government. It is assumed that the tariff law is to be interpreted in the light of the policy of the Government. It is assumed that the tariff law is to be interpreted in the light of the policy of the Government.

Page

IV.	Effects of Tax Legislation on Administration	16
	A. Multiple Tax Rates	16
	B. Revenue Stamps	17
	C. Stamp Tax on Cigarettes	17
	D. Duty on Government Imports	17
	E. Basis of Value	18
	F. Tariff Classification and Nomenclature	19
	G. Passenger Baggage	19
V.	Miscellaneous Improvements	19
	A. Undertakings	19
	B. Accounts	20
	C. Currency	20
	D. Invoices	20
	E. Warehousing	21
	F. Organization	22
	(1) Personnel	22
	(a) Salaries	22
	(b) Management	22
	(2) Control over Buildings and other facilities	23
	(3) Complaints and Controversies	23
VI.	Resume and Recommendations	24
	A. Procedure based on bill of entry	24
	B. Valuation	24
	C. Customs Clearers	24
	D. Refunds and Short-payments	25
	E. Undertakings	25
	F. Organization	25
	G. Multiple Tax Rates	25
	H. Accounts	25
	I. Passenger Baggage and Warehouse Space	25

In order to put the matter in proper perspective it will be helpful to consider the various steps in the present procedure involved in clearing imports at the Port of Jidda. The following outline was furnished by the Acting Director.

- 2 -

PRELIMINARY REPORT ON
CUSTOMS ADMINISTRATION

INTRODUCTION

In considering the administration of the tariff with a view to possible improvement, certain basic assumptions have been kept in mind as a guide and criterion. It is assumed that the policy of the Government in regard to taxation of imports is and will be expressed in the rates of duty prescribed in the tariff. Certainly the Government desires that the tariff law be administered with fairness and equity, which demand that a tax be uniformly assessed and collected. This means so far as taxes on imports is concerned that the exact rates of duty prescribed on any particular article must be collected whenever or wherever the article is imported, so long as the rate remains in effect. Judged by this criterion, to the extent that customs collection deviates in practice from the exact rate prescribed it renders a disservice to the state by causing an inequitable distribution of the intended tax burden.

There are several factors which determine the efficiency and adequacy of a customs service, the principal ones being the tariff law and the regulations establishing the procedure to be followed in executing the law, the organization which controls and supervises the administration, and finally the aptitudes, abilities and devotion to duty of the officials and employees.

I. PRESENT CUSTOMS PROCEDURE

A customs administration is charged with the responsibility for collecting taxes on imported goods at rates prescribed in the tariff law. To accomplish this purpose there are several necessary operations which are generally referred to as "formalities" or "procedure." It is obviously to the benefit of the Government and the importer alike to keep these as simple and direct as possible, consistent with safeguarding Government revenue and the interest of the importers. A procedure which is longer and more complicated than necessary not only adds to the cost of the goods to the merchant as well as the consumer and increases the cost of collection to the Government, but does not add a single qirsh to the Government revenue.

In order to put the matter in proper perspective it will be helpful to consider the various steps in the present procedure involved in clearing imports at the Port of Jidda. The following outline was furnished by the Acting Director.

"Steps of treating dutiable goods from the start until leaving the customs gate.

"1. The merchant must present to the Customs the following documents:-

- (a) Sitmy (Delivery Order from shipping agent) with stamps on it of (3/82½) three Saudi qirsh, sixty two and half centimes.
- (b) True invoice stating the price and expenses of the goods up to the port of destination (C.I.F.).
- (c) Import license from the Licenses Office.
- (d) License for selling medicines, or hunting weapons, or for importing tobacco and cigarette paper, if any of these items are among the goods, and that is in addition to the license mentioned in Paragraph C.

2. After that, he should call at the Manifest Office to have his delivery order certified to be identical with the manifest.

3. Then he goes to the stores - to get signature of the availability of the goods and that it complies with the delivery order.

4. He returns to the Director of the Customs (Technical Assistant) to transfer him to a Visitor to examine part or all of his goods and to withdraw the invoice from him.

5. Then he goes to the Chief Controller to indicate him a controller who would join the visitor in the examination.

6. He passes to the daily books room to take a visitor book and then goes to where the visitor and controller are in the stores to have the goods examined.

7. He returns to the Chief Controller to compare what has been registered by the Visitor and Controller with the original invoice

8. Then he goes to the Estimation Department - to estimate his goods and write down the duty on it.

9. He returns to the Customs Director (The Technical Assistant) to show all that to him and to get his approval on same.

10. He goes to the duty computers to compute the total duty required from him.

11. He goes to the cashier to pay the duty.
12. Then he goes to the cashier's clerk to get the receipt on which he puts stamps amounting to (3/62½) qirsh.
13. Then to the clerk of the release permits to get the release permit according to details written in the Visitor's book, after putting stamps amounting to (3/62½) Saudi qirsh.
14. He goes then to the stores. The storekeeper withdraws the sitmy (delivery order) from him and signs the release permit.
15. Then to the Central Accountant to sign after making sure of the accuracy of the release permit according to the regulations.
16. Then to the Director of the Guards (The Technical Assistant) to sign it.
17. Then to the Port Authorities to pay the fees and port charges.
18. Then to the stores to carry the goods out.
19. Then to the gate keepers to check the release permit and release the goods accordingly.

"As for the documents, they are kept as follows:

1. Invoices in the Estimation Department
2. Delivery orders (sitmy) with storekeepers.
3. Visitor books in the Journal section attached to the Central Accounting department, and at the end of every month they should be collected and delivered to the checking department with a statement covering all the contents.

4. Slips - to be kept with the concerned employee and then delivered to the General Accounting Department to be kept in store."

The above resume gives a fairly accurate picture of the formalities involved in clearing goods. While it shows that the procedure and formalities constitute a long and complicated process, it does not fully indicate the amount of work and time which it imposes on the importer and the staff of customs. As a general comment, it may be said that the procedure is longer and more complicated than necessary;

As it is impossible to file in one place all the documents so that it involves too many trips of the importer from office to office, accumulating signatures some of which serve no useful purpose; and it likewise imposes too much detailed work on the part of the Director and Technical Assistant, leaving them too little time for supervision and general oversight of the whole administration and for consideration of important problems which the heads of departments are unable to solve.

In considering the possibility of improvement in this procedure, certain phases justify detailed and extended comment. The assessing, collecting and accounting for customs revenue involves the use of various documents. One of the most important documents contains the detailed data relating to each consignment such as description of the goods, quantities, values, rates of duty, duties and other fees and charges. In the Saudi Arabian customs all these data are compiled in what is known as the "Visitor's Book," upon which all operations involved in clearing goods center and depend. In order to make clear the disadvantages involved in this method of documentation, it will be helpful to describe this book and the procedure which its use entails.

The book contains 10 sheets of large columnar paper which gives 20 pages of usable space. The books are printed by the Government and furnished free to the importer. They are serially numbered and are issued to the consignees against receipt. The details of the consignment of the first user are written on the first page and, when the particular consignment is cleared, the book is issued to another consignee and so on until there is no more space in the book. At the end of the month all books, whether completely used or not, are recalled and new books are issued for the next month. The details of from one to forty different consignments are carried in one book, depending on circumstances. The entries are all made with the pen. There are no duplicate copies made of the data for each consignment.

Under this system some operations such as verification, which should be done concurrently, cannot begin until the first of the following month and this delay greatly reduces the value of the reports of the verification department. This topic will be treated at greater length later in this report.

The details forming the basis of general accounts must be taken from the Visitor's Book and since there is one copy only, the procedure of clearing must be delayed while the Visitor's Book is referred to the accounting department. The cashier also uses the visitor's book as a source of entries in the cash book, issuing cash receipts and releases of goods to consignee. However, when the general accounts and the cashier's accounts are audited the original documents forming the basis of the accounts are not available. Also, since as many as 40 different consignees may use the same book, each consignee has access to information as to the business of other importers. Such information should be held strictly confidential.

Improvements can be made, and it is therefore advisable to secure the ideas and suggestions of the senior officials of customs on the detailed arrangement before the forms are printed.

As it is impossible to file in one place all the documents relating to each consignment, it becomes an almost impossible task to assemble all the required data in case it becomes necessary to investigate a particular consignment. The financial reports of a Port, which should be rendered periodically to the central administration, cannot be supported by the original documents on which duties, fees and charges were collected except by depriving the Port of its essential records. Likewise, since there is only one copy of the record showing values, quantities, and classes of merchandise imported, it must be used for both verification and for statistics, which means that one or the other of the operations is delayed while the other is being attended to.

II. PROPOSED PROCEDURE

(A) Bill of Entry and Declaration. - All these disadvantages can be eliminated and several positive benefits secured by substitution of a "bill of entry" for the visitor's book. The bill of entry, or import declaration as it is sometimes called, is a document on which are recorded all of the data required to value, assess, collect, receipt, and account for revenues. Space is provided for recording the marks, numbers, description of goods, quantities and values. This information is furnished by the consignee who by a signed declaration, becomes responsible for the correctness of the information. The bill of entry also has space for the customs use in recording the duties and other charges to which the goods are subject and for the total amount payable; it also serves as a receipt for all payments, and as an order for the delivery of goods to the consignee, after all payments have been made. It contains all of the data required for use in the cash and general accounts, for the compilation of statistics and for review and verification of all operations and transactions.

The bill of entry is made in several copies which makes it possible for all the operations of customs to be carried on concurrently, thus reducing the time required in clearing goods through customs. There is a copy for the permanent files of the accounting department and the cashier, and when the accounts are audited, all of the documents from which the entries were made are on hand. The original copy, with all documents attached, can be kept on file for ready reference in case it becomes necessary to investigate any particular consignment. The use of the bill of entry makes it possible to simplify the procedure in clearing goods and in reducing the time and work required on the part of customs, as well as the importer. This can be done without sacrificing any essential safeguard to the revenue.

There is attached a suggested form of bill of entry which, in my opinion, would satisfactorily serve the purpose for which designed. While the arrangement of the columns, spaces for signature, and the other details have been carefully thought out, it may well be that improvements can be made, and it is therefore advisable to secure the ideas and suggestions of the senior officials of customs on the detailed arrangement before the forms are printed.

There are also attached copies of entry forms used in the Swiss customs service. These are submitted only to show the modern method of duplication, that is by coating the reverse sides of the pages with a carbon composition. There are economies in printing and in the use of forms manufactured in this manner which should be taken into account when the problem of printing is being considered.

The following suggested procedure clearly indicates the simplification and consequent saving in time and work which the use of the bill of entry method of documentation would make possible.

(B) Procedure Using Bill of Entry. - The following brief outline shows all necessary steps in clearing import goods by the use of the bill of entry:

1. Consignee presents following documents to Manifest Department:

- (a) Bill of Entry.
- (b) Original certified invoice (with requisite copies in Arabic).
- (c) Delivery order issued by agent shipping company.
- (d) Statement from the Port Authority listing packages available for delivery.

The Manifest Department takes the following action:

- (a) Dates and gives serial number to bill of entry, stamping same date and number on other documents.
- (b) Registers bill of entry in permanent record book.
- (c) Compares documents with each other and checks with manifest.
- (d) Notes on manifest opposite each different product the number and date of bill of entry.
- (e) Signs bill of entry as indication documents are in order.
- (f) Sends all documents to Assessing Department.

2. Assessing Department takes the following action:

- (a) Converts values from currency of invoice to Saudi Arabian currency.
- (b) Examines, weighs or counts goods and, when necessary, appraises them.
- (c) Assesses duties and charges.
- (d) Totals value of consignment and the amount of duty to be paid.
- (e) Sends all documents to Director.

3. The Director examines all documents, and if found in order approves; hands all documents to consignee.

4. The consignee pays cashier total amount due; cashier signs bill of entry thereby acknowledging receipt of total amount paid; hands original and one copy of bill of entry to consignee.

5. Consignee presents original bill of entry to customs storekeeper as authority for delivery of goods. Storekeeper delivers goods, retains original bill of entry. Consignee exhibits copy of bill of entry to gate keeper.

This covers all the customs operations which are required in clearing goods. However, the consignee must also pay the port dues and charges to the Port Authority and present a release to the Port Authority storekeeper in order to take delivery of his goods. This payment can, of course, be made at any time at the convenience of the consignee.

The above is merely an outline of the steps in the proposed procedure in the actual clearing of goods. There are other operations which are carried on in accounting, compilation of statistics, verification and store records which require copies of the bill of entry. How these operations are carried out will be explained later when the functions of the several departments under the proposed procedure are outlined.

It will perhaps clarify the process to indicate here the final disposition of the copies of the bills of entry and the supporting documents. The original bill of entry with all relevant documents attached will be filed in the Manifest Department. One copy of the bill of entry will go to the following:

- (a) Accounts department
- (b) Cashier
- (c) Verification department
- (d) Statistics department
- (e) Accountant Hejaz District

There is one other essential feature of the use of the bill of entry which should also be mentioned here. It should be used for all consignments, both commercial and exempt. This will ensure that the record of the goods manifested to the port is complete and that the data required for statistics will be available. The bill of entry should also be used for the collection of sums due on account of errors. In this case the bill is marked "post entry in correction of bill of entry number _____ of _____ date."

There is one objection which will no doubt be raised to the use of the bill of entry and declaration, and that is the difficulty some of the smaller importers will have in making up the form and, more particularly, in furnishing the number of copies required. This objection has some validity but it can be successfully overcome. As it is now, customs does all the work involved in writing up the details for each consignment-- the numbers, marks, quantities, descriptions of the goods, value, etc. and in addition makes several complete or partial copies during the process of clearing the goods. It would place no additional burden on customs to render the same service to those importers who have difficulty in preparing the forms. One typist would be sufficient to render the service, and in those areas where a typist is not available, or the customs business is too small to justify the use of a typewriter the copies may be made by the use of carbon paper and indelible pencil. What little expense this might entail would be more than offset by the saving which the use of the bill of entry would make possible.

(C) Customs Clearers. - However, the difficulty of the small importer in preparing customs documents would be eliminated by another measure which has been recommended many times and which, I believe, should be adopted whether or not the bill of entry is used. I refer to establishment of reasonable standards of qualification for customs clearers and enforcement by a system of licensing.

Clearing goods through customs is, under the most favorable circumstances, a somewhat complicated business and requires knowledge of the laws, rules, regulations and procedure, ability to read and write, as well as the ability to do the mathematical computations involved in converting money and applying the rates of duty, etc. Moreover, a high standard of integrity is required. We find, however, a great many of the persons employed as customs clearers have few if any of these qualifications. They impede the progress of the work of clearing goods through customs and do not act as a check against errors which unfortunately customs employees may often make. I wish to renew the recommendations that certain minimum standards be required of customs clearers, enforced by licensing, and that all such clearers be bonded. With qualified clearers there would be no necessity for assistance on the part of customs to the importers in preparing the required documents, such as bills of entry. Judging by the number of clearers now employed, there is good reason to think that a smaller number of well qualified clearers would find it a profitable profession. The experience of other countries confirms this view.

III. FUNCTIONS OF DEPARTMENTS UNDER PROPOSED PROCEDURE

The procedure outlined above is by way of suggestion only and the details may be changed if actual experience indicates such changes are advisable. The suggested procedure follows very closely one with which I am familiar and which worked very well indeed. It can be adopted without radical change in the present organization of the port,

although it would involve some slight changes in the duties and functions of some of the departments. It may be helpful to elaborate on the proposed changes in procedure to show how they would affect operations of the various departments.

(A) The Director. - It will be noted, from the outline of the present procedure, that the Director is called upon to sign a great many documents which are referred to him at each step. I am not sure why this system has been developed, but it is probably due to a variety of causes upon which speculation would serve no useful purpose. The secret of successful administration of any business too large and complex for one person to do all the work is the division of work and responsibility among the officials and employees, each expected to do his allotted task and held strictly responsible for the results. The head of the organization must of necessity delegate the power and responsibility, and devote his own time to general oversight and supervision -- in short to see to it that each chief of division and each employee performs his allotted task. The Director should therefore be freed from participation in detailed routine operations. The proposed procedure would give the Director the opportunity to examine all of the operations involved in valuation, assessing and computing the duties and charges and take appropriate measures in case he finds defects of any kind. He can call upon the head of the department concerned for explanations, order correction of errors, order investigation, and so forth. One of the principal aids to the Director in maintaining a high standard of work is the Control and Inspection Department.

(B) Department of Control and Inspection - It will be noted from the proposed procedure, this department would be relieved from responsibility for routine work, such as examination of goods to determine whether they conform in quality and quantity with the invoice and manifest. This proposal is not based on a lack of recognition of the importance of control but on the belief that it would be more effective if used in this manner.

At present a controller shares the work and responsibility with a visitor in the examination of goods. It would be in closer conformity with sound principles of administration to have the visitor do the work alone and be held strictly responsible for it. Whatever control or inspection may be necessary could better be done independently and without collaboration with the visitor. Whenever an operation of this kind is done jointly, it usually happens that one man does all the work and, if there is a difference of opinion, the more energetic or perhaps the stronger minded decides the matter and the other simply concurs. The system of collaboration does not preclude errors, as the reports of the Verification Department show. For instance, three-fourths of the errors chargeable to employees in the month of Shaaban 1370 were charged to two employees acting jointly. One instance can be cited where a single error made jointly by two employees involved 75,000 qirsh - the sort of error impossible to excuse - the omission of one half the quantity of a consignment.

By checking the report of the visitor with the invoice and manifest any defect in his work or unusual circumstances in connection with the consignment will be apparent. In actual practice it will be found that it is not necessary to control the visitors work on every consignment. If he is held strictly responsible for the accuracy of his work and if he knows his work is liable to inspection at any time, he may be expected to perform all tasks to the best of his ability. An experienced Director who knows the abilities of his visitors and the kind of consignments which are most apt to cause difficulty will have no trouble in deciding when controls are necessary.

I am of the opinion, therefore, that the regulations should not require the assignment of a controller to act jointly with a visitor in each examination but that the Director should be given authority to assign controllers and inspectors as he considers advisable in any particular case or circumstance.

As for the inspection service, so far as I have observed it is being used as effectively as the circumstances permit and I have no special suggestion to make for its improvement. However, it should be noted that the inspectors should be of the highest level of experience and ability. They should know every phase of the operations as well as, or better than, the employees who do the work they are called on to inspect. Since the control functions logically include safeguards against illicit activities such as smuggling and pilfering, it might be advisable to place all guards under the supervision of the Chief Controller.

(C) Assessing Department - The functions of this Department would remain practically unchanged under the proposed procedure, but it is expected that the performance of one of its functions would be greatly improved, namely, that of valuation of merchandise, which is currently referred to as "estimation." From observation of the methods and results of the estimation of value, as performed by this department, I am of the opinion it constitutes the weakest feature of the whole administration. This subject of valuation is of paramount importance and justifies an extended and detailed treatment.

(1.) Valuation - The basis for the determination of the value of goods and the method employed in valuation constitutes one of the most important problems of customs administration in all parts of the world. The problem has been the subject of study and investigation by experts of many countries. It may be of some help in considering proposals for improvement in the Saudi Arabian customs to state briefly the general conclusions which have been reached. Following a preliminary study by a committee representing seventeen countries, a conference on international trade was held in Havana from November 17, 1947 to March 24, 1948. This conference was attended by delegates representing sixty countries including many states neighboring Saudi Arabia, such as Egypt, Lebanon, Syria, Jordan, Iraq, Turkey, Iran and Afghanistan. The countries represented do collectively more than 90% of the trade of the world. While the charter for the International Trade Organization drawn up at Havana has not become effective, the

essential commercial provisions have been incorporated in the General Agreement on Tariffs and Trade, (GATT) with a membership of some forty countries. The provisions which are quoted below have of course no binding effect on non-member states, but as they represent the consensus of opinion of the foremost customs experts, they are worthy of careful consideration. Relevant provisions on valuation are as follows:

Article 35 of Havana Charter;

"1. The members shall work toward the standardization, as far as practicable, of definitions of value and of procedures for determining the value of products subject to customs duties or other charge or restriction based upon or regulated in any manner by value

"3. (a) The value for customs purposes of imported merchandise should be based on the actual value of the imported merchandise on which duty is assessed, or like merchandise, and should not be based on the value of merchandise of national origin or on arbitrary or fictitious values.

(b) 'Actual value' should be the price at which, at a time and place determined by the legislation of the country of importation and in the ordinary course of trade, such or like merchandise is sold or offered for sale under fully competitive conditions.....

"5. (a) Except as otherwise provided in this paragraph, where it is necessary for the purpose of Paragraph 3 for a member to convert into its own currency a price expressed in the currency of another country, the conversion rate of exchange to be used shall be based on the par values of the currencies involved, as established pursuant to the Articles of Agreement of the International Monetary Fund.....

(b) Where no such par value has been established, the conversion rate shall reflect effectively the current value of such currency in commercial transactions."

Let us consider what is meant by "actual value" of imported merchandise. The only satisfactory answer is that it means the actual cost to the importer - the amount of money he has paid or agreed to pay for it. Where the basis of value is the landed cost at the port of import, the total cost is made up of the price paid to the exporter of the goods in the country of origin, plus the cost of transportation, insurance and, in some cases, incidental fees and charges for certification of documents, export permits and similar items. Very little difficulty is encountered in determining the cost of ocean freight and insurance since the importer generally can produce documents which establish these costs to the satisfaction of customs authorities.

However, when it comes to the prices paid to the exporter as evidenced by commercial invoices, the problem presents more difficulties. Due to the low level of business practices in some exporting countries, as well as in segments of the local business community, some fraudulent invoices have no doubt been presented to customs and as a result a deep-seated distrust of all invoices has grown up. This appears to be the basis of the system of "estimation" in vogue in the Jidda customs. That this method of valuation has been the principal source of controversy and complaint on the part of the mercantile community is not surprising when we consider how the method is employed. In brief, three officials undertake to place a value on any particular article imported, based in theory at least, on the current prices prevailing on the local market. They do this from memory alone, without the aid of price lists of the local market or catalogues from the countries of production. They have little or no personal knowledge of manufacturing costs in the countries of production, or prices prevailing on world markets. When we consider for instance the thousand or so different parts of an automobile, the many thousand chemical compounds, or the great variety and complexity of machinery and electrical apparatus alone, the weakness of this method of valuation is apparent. Not even the manufacturer of automobile spare parts would undertake to price them without reference to his current price list and the same is true of the local distributor. The kindest thing that could be said of this method of valuation is that it cannot result in actual values nor even in close approximations. It is valuation not based on fact but on mere guess work. It reduces valuation to the low level of bargaining and haggling, with all its necessary implications.

Even if the estimators knew and used exact prices prevailing on the local market, the method of valuation employed would not result in obtaining "actual value" - that is to say, the actual cost to the importer. Under the regulations the estimators are supposed to deduct 15% from the local wholesale price and take the result as value for customs purposes. This ignores the rates of duty, which on ad valorem goods ranges from 25 to 35%. If we assume that the 15% represents the "mark up" of the wholesaler above landed cost to cover his overhead expenses and profit, a simple calculation will show that a strict application of this method of valuation would increase the cost of each successive consignment of goods. For example, an article whose local wholesale price is 100 riyals would be valued for customs purposes at 85 riyals, which with duty at 35% would make the total cost to the importer 114.75 riyals, while the cost of next consignment would be 131.68 riyals and so on, with each consignment progressively increasing in cost until the price becomes prohibitive.

Based on my own experience I am of the opinion that valuation will be a source of controversy until or unless it is done on the basis of fact established by positive evidence. Even with price lists and catalogues available, by reason of the many variations in quality and prices, appraisal requires expert knowledge in each particular field, such as electronics, machinery, chemicals, textiles, watches, etc. Such experts are not locally available and to employ them from abroad would entail prohibitive expense.

(2) Dependable Import Values - There is one characteristic feature of imports which is worth noting in considering valuation. Almost every importation involves a sale and the transfer of ownership of goods from the exporter to the importer. In all such transactions the two parties know exactly the prices paid and received. Many countries faced with the problem of valuation of imports, and not being able to employ expert appraisers, have taken advantage of this feature of importation to secure dependable import values. They have done this by requiring the importer to declare the actual price of his imported goods and to subscribe to the correctness of same in the form of an oath. They have also provided suitable penalties, ranging from taking over the goods at declared value, to stiff fines and jail sentences for any attempt to defraud the Government through false declarations. These measures are generally reinforced by requiring submission of invoices subscribed to by the exporters before a consular representative, chamber of commerce or an official empowered to administer oaths. Aside from the fact that very few of the large manufacturers and commercial establishments in the industrially developed countries would even consider issuing a fraudulent invoice, any exporter who might be tempted in this direction, would hesitate to incur the penalties for perjury under the laws of his own country. Based on experience, I am sure that these measures would, in a reasonably short time, produce invoices which could be depended upon in the greater majority of cases. I am also sure that with some such provisions far more satisfactory and uniform assessments could be obtained if customs acted on the assumption that invoiced prices are correct than is possible under the present procedure based on the assumption that all invoices are fraudulent. Under the latter assumption there is no obligation or incentive for the merchant to submit valid invoices, particularly when he finds that valid invoices, even when backed by evidence of payment through a bank, are disregarded.

(3) Exchange Rates - There is another practice of the Jidda Customs which results in over-valuation and consequent assessment of duty higher than prescribed in the tariff. I am referring to the use of an arbitrary rate of exchange instead of the prevailing commercial rate. Moreover, the over-valuation is not uniform and is greater for some currencies than others which, of course, is direct discrimination against imports of certain countries.

(4) Discounts - The use of the discount in pricing goods for export is a common business practice. Discounts are given for a variety of reasons, such as cash with order, or quantity purchases. Other discounts are used by exporters who deal in commodities which are subject to sudden price fluctuations. Such exporters find it impossible to keep their customers informed as to day by day price fluctuations hence use the discount to adjust prices to actual market conditions at the time the order is placed. It is also the common practice in some lines of business to issue price lists at retail and then give discounts to dealers. Legitimate discounts should, in my opinion, be allowed. Unless this is done, the rates of duty will not be applied to the "actual values" and the amount of the tax will be greater than that prescribed by law.

As stated above, the proposed procedure would enable customs to secure more dependable invoices and thus make it possible to reduce the amount of the so-called "estimation." However, whether the proposed procedure is adopted or not, whatever appraisal is found necessary must be greatly improved if the customs service is able even to approximate the enforcement of the tax policy of the Government as prescribed in tariff legislation. To this end the appraisers should at least cease to depend on memory alone and instead rely on price lists of such articles as are commonly sold on the local market and catalogues with descriptions and price lists of the more complicated manufactured articles. Otherwise their "estimations" will continue to brew controversies and dissension with the importers.

(D) Verification and Statistical Department - This department is not a part of the Port of Jidda organization but of the Hejaz Customs District. It has two quite distinct functions as the title indicates.

(1.) Verification - All of the operations of the several ports are reviewed and a monthly statement is issued listing the errors which have been made. I have examined a statement showing errors of the Jidda port for one month only - Shaaban 1370. Analysis of this report shows that 238 errors were discovered, of which 192 resulted in collecting less than was due, in total 98073 qirsh, while 46 resulted in collecting more than was due, to a total amount of 28320 qirsh. However 89 of the first class are not errors in the proper sense of the word as they originated by the failure of the consignees to remove their goods promptly from the stores thereby incurring additional demurrage charges. These additional charges ranged in amount from 4 to 5308 qirsh and the total amount was 23,277 qirsh. The report indicates the employees who made the errors. Five only are charged to an individual employee while the balance are charged jointly to two employees most of them to a visitor and a controller. The most important error resulting in an underpayment was charged to an estimator who was in error in total on one consignment 16,837 qirsh. The errors resulting in overpayment ranged from 8 to 10,622 qirsh.

The review of the operations of customs to discover and report errors is very important and, so far as can be judged from the report, is being carefully done. It serves to protect the Government against loss of revenue and gives the Director necessary information by which to judge the efficiency of the employees.

However, there is one unfortunate feature of the verification work - the reports are very much in arrears and are generally not issued within a year of the time the errors were made. They lose much of their effectiveness by the delay, particularly as an aid to improving the work of the employees who have made the mistakes -- they may have made the same sort of error over and over again in the year or more elapsing between the commission of the error and the date of the report. There is good reason to believe that the cause of the delay in the work of this department is to be found in lack of sufficient employees to cope with the volume of work.

(2.) Refunds - I am informed that demands are made on the consignees for payment of all amounts due the Government by reason of errors resulting in underpayments, but that the consignees who have paid more than was legally due do not receive refunds. If this is a correct statement of the situation, the obvious inequity should in my opinion be removed. If consignees are called on to pay amounts due to the Government as a result of errors committed by customs, they should be paid the amounts overcharged.

It is recommended that every effort be made to eliminate the delay in submitting the reports of this Department; that no refund or demands for additional payment be made unless the amount exceeds a reasonable minimum of, for instance, 50 qirsh, as the expense involved does not justify handling smaller amounts.

(3.) Statistics - The work involved in compiling the statistics on foreign trade is quite different in character from that required in verification. There is economy in the use of mechanical devices in compilation of statistics and it will probably be found advisable to establish a central statistical department to compile and publish these data for the whole country. This subject will be considered more fully in a separate report.

(E) Manifest Department - Under the proposed procedure the functions of this department would be somewhat enlarged as it would be called upon to receive, number, register and finally file the bills of entry, together with all supporting documents. It would also check all documents, translations and record receipt of packages into the stores and deliveries on the manifest.

The proposed action of this department, in noting on the manifest the numbers and date of declarations by authority of which the goods were released from customs, is particularly important; The manifest would thus become a store record from which the disposition of every consigned package could be determined, whether delivered on payment of duty or still in store. The record would also show the packages which should be removed to the "want of entry" store at the end of the prescribed period.

(F) Accounting Department - Under the proposed procedure the Accounting Department would receive a copy of each Bill of Entry immediately after the payment of duty to the cashier. All the data necessary for the general accounts will be found in this document. It shows in detail the amounts paid on account of each kind of revenue, as well as demurrage and other charges. The documents from which entries are made in the several account books are retained so that periodic audit of these accounts can be made with facility. Moreover, the accounts of this department will be made quite independently from the cash account kept by the cashier so the accounts will serve as a check against each other. The cashier should render a daily statement to the accounting department, with copies to the chief official of the Port. Any discrepancy between these separate accounts will be immediately noted. The practice of various officials signing the several accounts each day serves no useful purpose, unless the officials do so only after checking each entry in detail.

The chief accountant and the cashier should each be held strictly responsible for the accuracy of his books and each set of books should be audited by officials who have no connection with these offices and who have had no part in keeping the books.

A good many functions now performed by the Accounting Department are not, properly speaking, accounting and should be done by the other departments while some work now performed by this department such as accounting for and issuing visitors books and checking delivery orders against the manifest would be unnecessary.

IV. EFFECTS OF TAX LEGISLATION ON ADMINISTRATION

Reference was made earlier in this report to the relation between tax legislation and customs administration. The reference was to the form of taxation rather than to the level of tax rates and the social and economic effects of taxation. This relationship is well illustrated by the examples given below. In each instance a change in the form of the tax would result in improved administration and lower cost of collection, without adversely affecting the revenue.

(A) Multiple Tax Rates - It is obvious that the size of a tax payment on imports has no bearing on the work and time involved in assessing, collecting, accounting and reporting, since exactly the same work and time is required in these operations for a payment of 10 qirsh as for one of 1000 riyals. It follows logically that if it is the policy of the Government to impose a total tax of 1000 riyals on a particular article, it takes far more work and time to collect this total amount in five separate taxes, and that the cost of collection increases in proportion to the number of separate taxes on the same article or transaction.

It will be noted that, in addition to the duty prescribed in the tariff, there are five other taxes imposed on each consignment, while several other taxes are imposed on specified articles such as automobiles and certain types of machinery; there is also a special tax on trucks and busses; and in addition some products such as sugar, tea, tobacco and candy are subject to import license fees.

If all these separate taxes were consolidated into one tax in the tariff, the same total amount of revenue would be received and at the same time the cost of collecting would be proportionately reduced.

While economies in administration have no doubt influenced many countries to abandon multiple tax rates, there are more important reasons for this modern trend in taxation. However, as they are closely related to fiscal planning and expenditure budgeting, it is outside the scope of this report to elaborate on them.

If, however, there are compelling social or political reasons for devoting the proceeds of the five separate taxes to the special objects named, consideration should be given to collecting them in one single assessment, as a surtax on the regular duty, and then allocating and paying the proceeds periodically to the several institutions. This method would greatly simplify the work of customs and would at the same time produce the same revenue for each institution as under the present system.

(B) Revenue Stamps - It is apparent that revenue stamp taxes on documents used in transactions in which a cash payment is required could be abandoned with profit to the Government by consolidating the amount of the revenue stamps with the cash payment. The reasons are essentially the same as in the case of the multiple tax rates mentioned above. It costs money to print, sell and account for revenue stamps; it also adds to the work and trouble of the taxpayers. According to the list furnished me, there are ten separate documents used in customs formalities requiring revenue stamps, ranging in amount from qirsh 53 santims 12½ on each invoice to qirsh 2 santims 12½ on a cashier's receipt. It would simplify the procedure and lessen the expense of customs administration to abandon the use of stamps altogether, and impose a flat fee on each consignment, or alternately, to affix stamps to one document only in an amount equal to the total now affixed to the ten documents.

(C) Stamp Tax on Cigarettes - Cigarettes are subject to an import duty and to a stamp tax as well. I understand that the stamp tax was requested by the reputable merchants in order to reduce competition with smuggled cigarettes. I also understand that some cigarette manufacturers abroad have agreed to affix the requisite stamps at the time of packaging while others have either been unwilling or unable to do so. In the latter case, before the cigarettes are released from customs, a stamp must be affixed to each package. This requires a considerable amount of work and is not very satisfactory because the stamps do not stick well on the cellophane wrappers and the purpose of the stamp is not achieved. In any case, the stamps could only act as a deterrent against smuggling if there were a vigilant inspection of all cigarettes in the hands of merchants and individuals. It is obvious that customs cannot undertake police work of this kind and there is reason to doubt if the problem is of sufficient importance to interest the municipal police.

(D) Duty on Government Imports - At present duties are assessed on goods imported by the Government and are reported as actual revenue. The sums shown by customs to be due on this account have never been paid into customs revenue and there seems to be no good reason why they should. When we consider the real nature and purpose of taxation, it is evident that no useful purpose is served by a Government taxing itself. The net effect is the same as taking money from one pocket and placing it in another - there is no more money than before the transfer was made. The essential purpose of taxation is to secure revenue with which to finance Government operations but calculating the amount of duty which the Government would have paid had it been subject

to taxation adds not a single qirah to the revenue available for expenditures. It does, however, add to the cost of operating the customs administration and renders the reports of revenue misleading. I am of the opinion, therefore, that all importations by and on behalf of the Government should be included in the exempt schedule of the tariff with the proviso that no importation shall be regarded as for the Government except by approval of the Ministry of Finance or some other official designated for this purpose. The Tariff Advisor is making proposals to implement this suggestion.

(E) Basis of Value - As pointed out in the provisions of the Havana Charter, in determination of value the time and place should be specified. There are two general bases employed by customs administrations, value as of the port of export (commonly called Free on Board or FOB) and value as of the port of import (called cost-insurance-freight or CIF). From the standpoint of administration the first basis is preferable since it reduces the work involved and, consequently, the cost of administration. By an adjustment of the tariff rates the same amount of duty can be realized from the FOB as from the CIF.

The reason why the FOB basis involves less work is simple. In appraising goods or checking the invoice price, there is only one figure to deal with and no computation to make. On the other hand, valuation on the CIF basis often requires one or more additional computations. This comes about by the way invoices are usually made out. The sale price is stated separately for each article in the consignment as of the port of export while the cost of freight and insurance are given in lump sums for the whole consignment. In order to arrive at the CIF price two separate calculations must be made for each commodity of a consignment. The insurance is usually a percentage of the value, hence it is necessary to add to the FOB price of each commodity the result of applying the insurance rate to the FOB price. Freight rates, however, are not based on value but quantity, hence it is necessary to allocate the freight cost to each commodity in accordance with the proportion which its weight is to the weight of the whole consignment. This calculation is more difficult to make than the one required in the case of insurance.

Objection may be made to the FOB basis of value on the ground of discrimination but in my opinion the objection is not valid. Whatever differential advantage an exporting country has by reason of being nearby, with consequent low freight rates, is neither increased nor diminished by use of the FOB value basis. In this respect, ad valorem rates on the FOB basis act in the same way as specific rates. The specific duty on goods is the same whether they come from Aden or Japan and the same is true for ad valorem duties, based on FOB prices, as a simple calculation will show. However, to change from the CIF to the FOB basis of value and collect the same total revenue, it is only necessary to adjust the tariff rates accordingly, and a good time to do this is when a new tariff is being drafted. One calculation then will save hundreds of calculations which would otherwise have to be made.

responsible for their collection. This has thrown a burden upon the administration of customs which it has not successfully coped with,

(F) Tariff Classification and Nomenclature. - The classification and nomenclature of the tariff have a very important and direct effect on the efficiency of customs administration. Each imported article must be placed under some particular item of the tariff rate schedule. How accurately this is done depends in a large measure on the Tariff Classification. It is obvious that the nomenclature and descriptions should be so clear and complete that there will be no difference of opinion as to the classification of any article - it will be placed in the same category wherever and whenever it is imported; otherwise there will be lack of uniformity in assessment, with consequent inequity. A revision of the Saudi Arabian Tariff is well worth while from the standpoint of improvement of the classification alone. The draft of the Tariff now being prepared by the Tariff Advisor gives full recognition to the importance of definite and exact terminology and I am sure it will result in an appreciable improvement in the administration of the tariff law.

(G) Passenger Baggage - While I have not studied in detail the method of examination of passenger-baggage, I note that the regulations require the same routine procedure for the assessment and collection of duty as for commercial imports; also that dutiable articles must be taken to the customs house for examination and payment of duty. This procedure causes a great deal of inconvenience and loss of time to passengers, particularly those who arrive by air, as the customs house is quite distant. I have in the course of travel experienced customs examination of baggage in at least thirty different countries - in Europe, Asia, Africa and America, and as I recall in each of them the collection of duties on articles found in personal baggage was done on the spot. I understand that the Director of Customs has recommended a simplified procedure for handling baggage under which the duty would be assessed and collected in the manner outlined above.

I recommend that authority be granted him to do this now so that the new system would be in operation during the current pilgrimage.

V. MISCELLANEOUS IMPROVEMENTS

Several other improvements which could be made in the administration are discussed below, with the kind of action required in each case.

(A) Undertakings - Under Ministry of Finance letter dated Thul Hija 18 1369, (August 1950) the release from customs of certain commodities was authorized without payment of duty but upon an undertaking to pay within a period not exceeding two months. In practice certain modifications of this order are observed. The release was not confined to the three commodities mentioned but to all commodities. Also it is granted only on consignments on which the total duty is 1000 riyals or over. In the beginning the undertakings were sent to the Ministry of Finance for collection but later customs was made responsible for their collection. This has thrown a burden upon the administration of customs which it has not successfully coped with,

as its accounting system was not designed to handle transactions of this kind. The cashier has, for instance, gone on the assumption that these undertakings, which may or may not be paid in the future, are in fact cash and has so treated them. The result is that his cash account includes an unknown number of items which may be assets but are certainly not cash. This sort of accounting makes it very difficult to balance the cash account and harder still to audit it. While the undertakings are registered in the books of the accounting section, no attempt is made to keep this in a form which can be balanced, hence the books do not show the total amount of indebtedness to the Government in the form of undertakings nor that of any individual debtor. Furthermore this practice amounts to making loans to some of the more important merchants and furnishing part of their working capital. I recommend that the system of undertakings be abolished.

(B) Accounts - I have already reported to the Ministry on the inadequate system of accounting, particularly that employed by the cashier. Instructions have been given to an expert accountant now in the employ of the Government to collaborate in devising an adequate system and to train the staff in using it. If the changes in procedure recommended in this report are adopted the accounting work will be simplified and the accounts will better fulfill their real function.

(C) Currency - Under the present tariff legislation, valuations and duties are expressed in terms of the customs qirsh at the conversion rate of 11 qirsh equals one riyal. Payments however are made in riyals. This system imposes severe handicaps on the assessing, collecting and accounting work. In the first place the use of an accounting unit of such small denomination results in figures of unwieldy size and this throws additional burden on the accounts. The payment in riyals involves first of all conversion of the customs qirsh into riyals, using the rate of 11 to the riyal and then counting the riyals which is in itself a laborious operation. The riyals must be counted twice, when presented in payment by the consignee and again when deposited in the bank. The cashier is obliged to carry in his cash account both customs qirsh and riyals, as well as regular qirsh at 22 per riyal.

It would reduce the work involved in collecting and accounting for the revenue to have an accounting unit of larger value and one that can be divided into tenths and hundredths. In this way the customs qirsh would disappear entirely from the accounts, the conversions could be made by moving the decimal point rather than by multiplying or dividing by 11. I understand that Mr. Young will shortly submit definite proposals covering the unit of currency for customs purposes.

(D) Standardized Invoices - In the section of this report on procedure, recommendation was made for requiring the submission of certified invoices in support of the declarations of the importers.

The system so far followed by the Port Authority in tallying, recording and reporting on goods has been far from satisfactory. In addition to this requirement the usefulness of the invoice to customers would be considerably enhanced if reasonable standards of invoices as to form and content were established and enforced.

The invoice should contain all of the data necessary for the importer to make out the bill of entry and for customs to assess duties. One very important bit of information required is the description of the goods, which should be so complete and detailed that from it alone the applicable tariff and statistical items could be readily determined. The invoice should also give the weights (or other quantities) prices, marks, numbers and such other data as may be required. To save time and work in making conversions, the quantities should be in terms of standard weights used in the tariff; also all of the data expressed in figures should be in a form to enable their use without further computation. For instance, if the duty on cloth is on the basis of square meters and if the quantities shown are of length and width in inches, two separate conversions must be made before the number of square meters is obtained.

Many countries have prepared standard invoice forms and have issued instructions as to the manner in which the invoices are to be prepared. The results have been very satisfactory since the exporters have not found it difficult to comply. By the nature of the case it would take time to obtain full compliance as the instructions and copies of the standard invoice forms would have to be forwarded by importers to their suppliers.

While on the subject of invoices I would like to suggest that consideration also be given to a provision in regard to the language to be used in invoices. The major part of imports come from non-Arabic speaking countries and it would be impracticable to require the original invoices to be written in Arabic. However, to permit invoices in the language of each separate country of export is a severe handicap to customs which can hardly be expected to have employees with knowledge of so many languages as this would entail. It would, I believe, be reasonable to require one specified language in the case of invoices from non-Arabic speaking countries. It will probably be found that English would offer less difficulty than French, German or other languages. English is the most widely used language of commerce and is already generally employed in invoices from Germany, Switzerland, India, Pakistan, and Japan, as well as the English-speaking countries.

(E) Warehousing - The Port Authority, under agreement with the Government, receives goods as they are unloaded, transports them to and places them in the warehouse. It apparently retains custody of goods until delivered to the consignee. It thus devolves upon the latter to tally the goods and check with the manifest to determine which packages are on hand or missing, and which have been received in excess of the manifest. This information is required by customs as well as by the consignees.

Recommendations in regard to appointments, promotions, suspensions and dismissals from service should have preponderant weight. I believe it would result in great improvement in customs work if the Director were given greater authority in personnel affairs.

The system so far followed by the Port Authority in tallying, recording and reporting on goods has been far from satisfactory. I understand that the defects of the system have been called to the attention of the Port Authority by the Director of Customs on several occasions. Specifically, the Port Authority has failed to tally the goods at the time of discharge from the carrying vessel or when placed in the stores; the report to customs on the goods placed in stores has been submitted from 7 to 10 days after the time unloading operations were concluded. I have conferred several times with the officials of the Port Authority and they have promised to remedy these defects by a new system which, if effectively carried out, should furnish the information customs and the consignees require within a few hours after unloading. My only comment at this time is that the situation should be observed closely and if the new procedure does not produce satisfactory results appropriate measures should be taken.

(F) Organization - General problems of the organization of customs on a national scale will be considered in a subsequent report but there are two aspects of the administration upon which some comment may be helpful at this time, i.e. personnel, building, and complaints of merchants

(1-a) Personnel - Salaries - The level of efficiency of the port depends mainly upon the skill and efficiency of the employees. In order to attract and retain the services of men with proper qualifications, adequate remuneration and advancement on the basis of merit are essential. While I am not well enough acquainted with the local situation to offer suggestion as to a definite salary schedule, even a superficial knowledge indicates that the salary schedule should be reviewed and revised in keeping with the cost of living and with salaries in other fields of employment. It should be noted that the demand by private enterprises for men with the qualifications requisite for customs work is very great and if something is not done to meet the competition in the way of salaries, customs will have increasing difficulty in retaining its best qualified employees. There are many vacancies now which cannot be filled because the salaries offered are too low to attract men with proper qualifications.

Unless this situation is remedied the problem of suitable replacements for those who retire or withdraw will become more acute. A recruiting and training program should be carefully considered at this time but it seems unlikely to meet with much success unless the salaries and other terms of employment are as attractive as those offered in other fields of endeavor.

(b.) Management - The Director of Customs is necessarily held responsible for all the work but as he cannot do it all himself he must rely upon the work of others. Under these circumstances the Director should have a comparatively free hand in personnel matters in order to maintain discipline and to secure from each employee the best work of which he is capable. Since the Director is in the best position to know the relative merits of the several employees his recommendations in regard to appointments, promotions, suspensions and dismissals from service should have preponderant weight. I believe it would result in great improvement in customs work if the Director were given greater authority in personnel affairs.

(2.) Control over Buildings and other facilities - There is at present severe congestion in the storage space allotted to air freight and parcel post packages. The space allotted for these is in the main customs building. The rooms used for storage are designed for offices. There is more suitable space available in Warehouse No.5, which is also used for "Want of entry goods." The Director apparently does not have authority to store the parcels arriving by air and post in the more suitable warehouse. For much the same reason given above in connection with personnel management, I am of the opinion that authority should be granted the Director of the Hejaz Customs District to employ the office and warehouse facilities in whatever manner he considers will increase the efficiency of customs operations, and to make such changes from time to time as seems advisable, without reference to higher authorities.

(3) Complaints and Controversies - One troublesome feature of customs work the world over is that of controversies with importers. We are not concerned here with the cause of disputes and controversies but with a procedure for handling them. It is obviously to the best interest of the Government and of the importers alike to have a procedure which is capable of speedy and impartial decisions. To attain these desirable ends the procedure should be as simple and direct as the circumstances permit.

It may be helpful to consider the provisions of Article 38 of the Havana Charter relating to this matter as they represent the consensus of opinion of the foremost customs experts:

"3. (a) Each Member shall administer in a uniform, impartial and reasonable manner all its laws, regulations, decisions and rulings of the kind described in paragraph 1. Suitable facilities shall be afforded for traders directly affected by any of those matters to consult with the appropriate governmental authorities.

"(b) Each Member shall maintain, or institute as soon as practicable, judicial, arbitral or administrative tribunals or procedures for the purpose, inter alia, of the prompt review and correction of administrative action relating to customs matters. Such tribunals or procedures shall be independent of the agencies entrusted with administrative enforcement and their decisions shall be implemented by, and shall govern the practice of, such agencies unless an appeal is lodged with a court or tribunal of superior jurisdiction within the time prescribed for appeals to be lodged by importers; Provided that the central administration of such agency may take steps to obtain a review of the matter in another proceeding if there is good cause to believe that the decision is inconsistent with established principles of law or the actual facts."

I am not in position at this time to recommend a definite form of procedure but wish to suggest that the problem warrants careful consideration in consultation with the legal experts of the Ministry of Finance.

The settlement of disputes on an ex-parte basis and without permitting customs to present the reason for its action is, from the standpoint of administration, damaging in the extreme. It destroys its prestige and tends to encourage the merchants to disregard customs and to flood the higher authorities with their complaints and controversies. It also weakens the morale and the courage of customs officials to enforce the laws and regulations as they understand them. I am not suggesting that customs should be upheld right or wrong, but that customs should be heard and its side of the case taken into consideration when deciding on complaints, claims and disputes.

VI. RESUME AND RECOMMENDATIONS

This report covers the procedure involved in clearing sea-borne imports at the Port of Jidda only together with other general phases of customs operations such as accounting, warehousing, inspection and organization. There is also some reference to tax legislation and regulations which directly affect administration. I shall submit separate reports on other phases of customs as soon as sufficient information is obtained to justify comment and suggestions.

In this report I call attention to certain operations which there is reason to believe may be improved. Some of the possible improvements are comparatively easy to accomplish as they involve matters of procedure only and may be done without changing basic tax legislation, while others will require such changes. Under the circumstances, it will probably be found advisable to consider improvements in successive steps. If this meets approval, I suggest the following measures be taken first, and that other improvements follow as rapidly as experience indicates advisable.

A. Summary of MAIN CONCLUSIONS and Recommendations:

(1) Procedure based on bill of entry - I recommend that the bill of entry method of documentation and the simplified procedure which it makes feasible be adopted. This recommendation includes the declaration of the importer supported by standard certified invoice with declaration of the exporter as a requirement for clearing goods. It should be noted that after approval of these changes it will take some time to have the documents printed and to issue instructions for their use.

(2) Valuation - Regardless of any other changes in procedure, in my opinion improvement in the method of valuation is of the greatest importance. Certainly legitimate discounts should be allowed, the actual exchange rate should be used, and all other devices or methods which result in systematic over-valuation of imports should be discontinued.

(3) Customs Clearers - It is recommended that certain qualification standards be set up for customs clearers, to be enforced by licenses and surety bonds; that a suitable office be set aside in the customs house for the use of consignees, their agents or clearers, in which they can prepare customs documents and for use as a waiting room while customs formalities are in process.

(4) Refunds and Short Payments - It is recommended that refunds due importers for amounts over-paid by reason of errors by customs be made on the same basis as collection of amounts short-paid; that in each case no refund or collections of short payments be made unless the total amount to be refunded or collected on a single consignment exceed 5 riyals and unless notice of refund or short-payment has been issued within 90 days of the date of clearance of goods through customs.

(5) Undertakings - It is recommended that the system of undertakings be discontinued, and that whatever financial assistance is given the merchants be handled in some other way.

(6) Organization - (a) Personnel - It is recommended that the salary schedule be revised in keeping with present conditions and in a manner calculated to attract and retain men of requisite ability; that plans be prepared for a recruiting and training program to ensure a capable and efficient staff in the future; that greater authority be granted the Director in personnel management.

(b) It is recommended that a definite procedure be established for hearing complaints and settling controversies with merchants.

(7) Multiple Tax Rates, License Fees, Taxes on Government Imports, Revenue Stamps, and Basis of Value - The recommendations made in regard to these matters would, if carried out, result in a material improvement in customs administration without reducing Government revenue. These desirable results would come about by the elimination of many unnecessary computations and entries in the accounts thereby reducing the chance of error as well as the cost of administration. They would require changes in the basic tax legislation. These changes are not dependent on the acceptance of any other proposed changes in procedure. I recommend, therefore, that these recommendations be favorably considered and incorporated in tariff legislation. The Tariff Advisor is making proposals to effectuate this recommendation.

(8) Accounts - Improvements in the accounting system should, I believe, be undertaken as soon as the expert accountant can devise and install a suitable system. While it is possible that the improved system may be installed in the other ports by means of written instructions alone, it would be better to have the personal supervision of an expert accountant for the changes at each major post. The accountant is in the best position to advise on means for application of his recommendations. The improvement in the accounting system is not dependent on any other recommended changes in procedure, and should I think be made regardless of action on other recommendations.

(9) Passenger Baggage and Warehouse Space - The recommendations in regard to these subjects, which are unrelated in substance, are combined in this paragraph by reason of urgency. Both recommendations can be carried out on letter of authorization from the Ministry of Finance. The recommended actions can easily be taken by the Director without endangering the revenue. I recommend, therefore, that the authority which the Director has requested be granted at once without waiting for action on the other recommendations in this report.

The above are the more important measures for consideration at this time. Some of the suggested improvements will necessitate changes in tax legislation and amendments to the regulations while others may be effected by instructions from the Ministry of Finance. I shall be glad to assist in drafting whatever documents are necessary to effectuate such of the recommendations as meet with approval, and to advise and assist in the installation and use of new procedures.

All of the above proposals have been discussed with the senior customs officials of the Hejaz Customs District. I wish to express my appreciation for their helpful cooperation. Mention has been made of the close relation between tariff structure and customs administration, and, in this connection, I wish to acknowledge with appreciation the expert assistance of the Tariff Adviser, Mr. Kennedy, who has collaborated in the study of the operations of customs and in the preparation of the report. None of these gentlemen should, however, be held responsible for any faults or shortcomings in the conclusions and recommendations, which should be attributed to me alone.

John A. Dunaway
Customs Advisor

April 7, 1952

CUSTOMS ADMINISTRATION: Report for the period February 8 to March 31, 1952

The writer arrived in Jidda on February 8, 1952. As it was considered improper to make direct contact with customs officials before being presented to the Minister of Finance, who was away at the time, after consultation with Dr. Young I began a study of the available documents as background material.

I also conferred at length with Mr. Kennedy on what he had learned about the customs administration in his study of the tariff, in connection with which he had spent a good deal of time at the Jidda customs and had also visited the principal ports of the Al Hasa District.

I was presented to the Minister on February 24 in the company of Dr. Young and Mr. Kennedy. At this conference Dr. Young outlined briefly the close relation between the problems of customs administration and tariffs and how they are related to the general problem of public finance on which the American technicians under his direction are to advise. I outlined the plan of operation I expected to follow, that is, a thorough study of the actual operations of customs administration, as well as the basic customs legislation and regulations as a basis for recommendations for improvement, and suggested that a study of this kind would of necessity take considerable time. The Minister expressed his approval of this plan, and said that he would allow what time is necessary, and promised whatever assistance might be required.

It seemed advisable to start with a study of the organization having to do with the national administration of customs, to find out its functions, powers and methods of operation. The tentative conclusion is that in the proper sense of the word there is no central unified customs administration, but that in one way or another customs is managed by the Minister of Finance either personally or through whatever official he chooses to use; that the Director General of Customs mentioned in the regulations is in fact merely an advisory officer and makes recommendations only on matters referred by the Ministry.

With Dr. Young's approval Mr. Kennedy and I have been making a joint study of the whole customs field, and on the side of administration have been observing the actual operations at the Port of Jidda in all phases of the procedure of clearing goods -- from the time of unloading to release after the payment of duties. The study is not yet complete as we have not observed the operations involved in handling exportations, transit and trans-shipments, passenger's baggage, parcel post, air-freight cargoes, the Coast Guard and the operations of the Port Authority. We also have not looked into the operations of any of the small stations dealing with over-land traffic.

There are a great many apparent defects in the procedure and operations on which preliminary and tentative recommendations could be given, but it seems advisable to wait until the study is completed at the Port of Jidda and a similar study is made of the operations in the Al Hasa District which is increasingly important on account of the Aramco operations.

In the course of our study it has become apparent that, among other things, the accounting system is inadequate and fails to fulfill the real functions of accounting. It is obviously important to have the assistance of a professional accountant in designing and installing an adequate system and in teaching the staff how to use it. I understand that an accounting officer is included in the personnel of the Public Finance Group and I hope he will arrive at the earliest possible date.

It is also clear that statistics on foreign trade are almost entirely lacking and that those compiled are so incomplete, inaccurate and delayed as to be practically useless. I am told that such statistics have been considered confidential and for this reason they are not made public. The Finance Ministry has been responsive to our recommendation that such statistics be compiled according to an effective system, although it is not yet clear that they are willing to have them published. Arrangements have been made for an early visit of a representative of the International Business Machines Company to give a preliminary indication of the types of machine needed and plans for introducing and operating them. Also it is learned that an American expert on trade statistics, Mr. Thomas F. Corcoran, is now working with the Pakistan Government and could make a short visit to Saudi Arabia to advise regarding preliminary plans. We shall approach SAG to learn whether a visit by him would be welcome, and if so shall forward the request through the usual channels.

If SAG definitely decides to install a proper system of trade statistics I suggest the advisability of adding an experienced statistician to the staff for a period long enough to design and install a statistical system and then to train a staff to carry on the work. While I have had some experience in supervising statistical work of this kind and Mr. Kennedy has done considerable research work on the problem, we should not undertake immediate responsibility for a system of statistics if we are to achieve our other main objectives in a reasonable time. I have no idea how long it would take to install a statistical service and train the necessary personnel but I believe that a two year period should be anticipated to be on the safe side.

John A. Dunaway
John A. Dunaway
Customs Advisor

CUSTOM PROCEDURE

13. The book is then taken to the computing office where they will compute the custom duties imposed in accordance with the custom tariff.
1. The office manager signs the bill of lading and stamps it "Arabian American Oil Company."
2. On the day the ship arrives, the bill of lading goes to the agent of the ship. From him a custom delivery order is obtained. He is paid SR C-11-0 for paper and stamps.
3. The required stamps are placed on the delivery order (SR C-07-20).
4. The delivery order is then taken to the manifest section at the custom office. The manifest clerk will endorse it if its contents correspond to the manifest.
5. Inquire at any warehouse as to location in which the ship has unloaded shipment.
6. When shipment is located, the warehouse keeper will write on the back of the delivery order that the shipment is in such-and-such warehouse.
7. Delivery order is then handed to the manifest clerk in the indicated warehouse with request that he locate the materials and then sign the delivery order.
8. The endorsed delivery order is then taken to the Custom Director. He will refer bearer to an inspector on duty that day.
9. The delivery order is next taken to the chief of inspectors and supervisors. He will refer bearer to the responsible supervisor accompanying the inspector on that day.
10. A "book" is next obtained from the Customs Declaration Office. (There are two kinds of books, one for dutiable items and the other for exempted items.)
11. The book so obtained is taken to the warehouse where the goods are stored and where the inspector should be who has been assigned. When he is free, he will take the delivery order and go with the bearer to inspect the goods. He may ask that several boxes be opened to make sure that the contents are as described in the invoices. He will then describe the goods in detail in the Custom Declaration Book and sign it and give it to the supervisor to sign. The scale man must also sign the declaration as to correctness of total weight. (Although customs sometimes insist upon weighing every box and item, at other times they will accept the weights written on each box.)
12. After the book is properly signed, it should go to the custom estimator with a copy of the invoices covering the shipment. (In the case of ARAMCO, they normally accept invoices as correct and true and do not add a percentage to the invoice value as is done in many other cases.)
 - A. After the prices have been entered, the book goes with the invoice to the chief estimator who should approve it and sign it.

13. The book is then taken to the computing office where they will compute the custom duties imposed in accordance with the custom tariff.

A. After the custom duties are computed, the chief computers will approve and sign the book. The book next goes to the control office to convert the custom duties into U.S. dollars at the rate given weekly by the Ministry of Finance. A letter is then handed to the control office guaranteeing delivery of a check for the correct U.S. dollar amount.

B. The control office will then write a memorandum to the Trusteeship Directory of Hejaz Customs. They will register the U.S. dollars in their office book and refer the bearer to the Custom Director who, in turn, sends bearer to the accounting office to register the duty in his office book. The Custom Director must approve the book by signing it. The Director will then send bearer to the treasurer to sign the book for a receipt.

NOTE: In case of paying cash, Steps A and B above are not followed.

14. The chief computer will then check it and approve it by writing the total custom duty in writing and sign it.

15. The book is then taken to the Custom Director for approval and signature.

16. The book then goes to the chief of inspectors and supervisors to be approved and signed.

17. The assistant treasurer will make the SQ into SR and write it down in the book.

18. With the money required, the book should next go to the treasurer, who receives the money and signs the book.

19. Next the book goes to the receipt clerk who makes up a receipt for money received as custom duties. He is paid SQ 1 for the paper and SR C-7-20 for the stamps.

20. The book and receipt are then presented to the gate permit clerk. He will make up a gate receipt for the goods cleared. He is paid SQ 1 for the form. Stamps of value SR C-7-20 are placed on the gate release.

21. The receipt and gate release must then be returned to the treasurer for signature.

22. The release is then taken to the manifest section where goods will be checked off the manifest. The manifest clerk then signs the gate release.

23. Take the release and delivery order to the customs warehouse clerk. He will withdraw the delivery order and sign the gate release.

24. Take the gate release to the port clerk in the same warehouse. He will give a port release order.

25. Take the gate release and receipt to the head clerk in customs who will stamp it with the official customs seal.
26. The Custom Director will then sign both the gate permit and the receipt.
27. Take both the gate release and the port release order to the Port Building. They will enter in the gate release the total weight (gross) from their manifest and collect the port fees.
28. Upon receipt of the port fees, they will sign the port release order and stamp it "Paid". They are paid SR 0-11-0 for paper and stamps.
29. Shipment is now cleared and custom formalities finished. Goods should be removed within 24 hours. (All shipments must be removed from Custom Warehouses during the first 7 days starting from the day the ship arrives; otherwise, storage fees will accrue.)
30. Give the gate release to the gate man and sign it on the back as received. Show the date.

OUT

OF FOLDER "PUBLIC ADMINISTRATION-Customs"

<u>By</u>	<u>Date Out</u>	<u>Items</u>
R. Kennedy	1-25-53	October 28 to Sulaiman enclosing "Report on Charges on Goods at the Port of Jidda"
"	"	Letter Oct 15 to Sadek Bey Hussein from Dunaway re Responsibility of shipping companies for goods unloaded at SA ports
"	"	Sept. 2 memo to Sadek Bey Hussein from SS Stratton re "Attached Letter to HE and "Report on Operations of the Port of Jidda.
"	"	August 9 Memo to Sadek Bey Hussein from SS Stratton re attached letter to HE Sulaimn and draft of a proposed customs regulation on treatment of passenger baggage.